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First Lady

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INTERNATIONAL

Herald Tribune

Published with The New York Times and The Washington Post

AY'S WEATHER FORECAST — PARIS: Temp. 14-4 (57-39). Tomorrow variable. Clear. Temp. 16-7 (61-45). Tomorrow ROME: Cloudy. Temp. 15-6 (59-43). YORK: Fair. Temp. 5-1 (41-34).

TIONAL WEATHER — COMICS PAGE.

Austria .... 12 S	Lebanon £1.25
Belgium .... 20 B Fr.	Luxembourg ... 20 L.Fr.
Denmark ..... 3.50 D Kr	Morocco .... 2.50 Dr.
Eire .... 16 P	Netherlands... 1.50 Flor.
Finland .... 2.20 F M	Nigeria .... 50 K.
France .... 2.50 F	Norway .... 3 N.Kr.
Germany ...... 1.50 D M	Portugal .... 12 Esc.
Great Britain ..... 16 P	Sweden .... 2.50 S.Kr.
Greece .... 18 Dre.	Switzerland ... 1.70 S.Fr.
India .... Rs 6	Spain .... 20 Ptas.
Iran .... 40 Rials	Turkey .... T.£ 3
Italy .... 300 Lire	U.S Military (Eur.) $0.35
Israel .... L.£ 3.50	Yugoslavia .... 9 D.

28,990 ** PARIS, MONDAY, APRIL 12, 1976 Established 1887

Associated Press.

MUNIST THRONG IN ROME—Thousands of persons in the square of St. John Lateran during Saturday rally.

Although Communists Gaining Respectability

alian Poll Shows Reds Distrusted

E, April 11 (AP).—Despite toral gains, the Italian nist party *still evokes dis-* nd suspicion in a large of the population, a na- survey shows.

ding to the poll, the s question whether the nist party is really as Moscow domination as it s; whether it could retain this independence from mlin once it took power ed in power, and whether ld voluntarily give up f it was brought into the government and then ed out of office.

is now known as "the nist question" received tention recently through ion of the results of the conducted by the Instituto pea, a major nonpoliti- lic opinion organization, queried a representative of voters.

urvey found that 41.4 per those questioned believe mmunists should have a the national government 0.6 per cent prefer that ty remain in the opposi- it has been since 1947. e group of voters—18 per ere undecided.

Danger to Liberty'

oll also reported that only cent of those questioned the Communist party a danger to liberty." The tood at 44.8 per cent in aken by the same organi- ix years ago.

despite the party's con- rive to look and act like er political party in Italy, e poll also found deep of the party.

Communists were ad- o the national govern- r instance, the poll said, ween 20 to 30 per cent electorate would want a ist to be premier or top offices in the For- fense, Internal or Trea- nistries. They prefer to the Communists to the d Industry Ministries.

58 per cent polled fear Communist party, once would resist leaving of- if voted out, compared per cent who say they he Communist pledge of e to Western European ty politics.

According to the survey, those most distrustful of the Commu- *nist party are those over the age* of 45 and are mostly housewives and farmers, while industrial workers, who make up a quarter of the population, and students see little reason to doubt Com- munist sincerity.

The United States is opposed to any role for the Communists in Italian governments. It has cautioned that such a move would lead Washington to "reas- sess" its relationship with its ally.

Francesco de Martino, secre- tary of the Socialist party which favors an open government role for *the Communist party, said:* "When they say they want to be independent of Moscow, I believe Italian Communists are sincere. But I don't know whether tomor- row they will be strong enough to reject Soviet intervention."

Another prominent doubter is Giovanni Agnelli, president of Fiat, Italy's largest private em- ployer with 200,000 workers. "I also don't doubt their desire to be autonomous from Moscow," he said in a recent interview. "But

(Continued on Page 2, Col. 7)

AP.

Enrico Berlinguer address- ing supporters at Rome rally.

Payments to Parties Reported

Italy Said to Probe BP, Shell Political Fund

LONDON, April 11 (AP).— British Petroleum and Shell are under official investigation in Italy *in connection* with reported payments to Italian political par- ties in the early 1970s, a British newspaper reported today.

Spokesmen for BP, which is two-thirds owned by the British government, and Shell refused to comment on a detailed report in the Sunday Times of London that said "documents from Ital- ian and American sources" show plainly that in nine months of 1972 Shell paid out £564,000 (then worth about $1.3 million) and BP £516,000 (about $1.2 million) in secret political contributions.

The Sunday Times report quot- ed from the documents to sup- port an assertion that the con- tributions were calculated ac- cording to expected benefits from favorable legislation by the coali- tion government.

A quoted document listed code names for top Italian politicians, oil companies and their officials and political parties, which the newspaper said conveys "the inti- macy between the oil companies and the political parties."

A number of U.S. organizations, including the CIA, Lockheed Air- craft Corp. and the Exxon and *Gulf oil corporations, have* figur- ed recently in revelations of al- leged payments to Italian offi- *cials. But today's reports* were the first public mention of pay- ments by Shell and BP.

The chairman of the British Parliament's Select Committee on Nationalized Industries, Russell Kerr, said today that the com- mittee would consider at its next meeting Tuesday whether to start an investigation of alleged pay- ments by BP's subsidiary BP Italiana.

A Shell spokesman said the company "is cooperating fully" with the Italian parliamentary commission of inquiry but declin- ed to comment further on grounds that the proceedings have not been completed.

London newspapers quoted BP *as also saying it* was cooperating in the investigation and refusing further comment.

Two-Year Inquiry

The Italian investigation has been going on for two years.

BP sold most of its Italian operation in 1973 and Shell, which had operated through the sub- sidiary Shell Italiana, pulled out the same year. Exxon and Gulf political payments in Italy have been disclosed to a U.S. Senate subcommittee in Washington.

A document quoted by the Sunday Times was a memoran- dum allegedly written in June, 1972, by an official of Esso Ita- liana, an Exxon subsidiary, and seized in a police raid on another *company's* office in January, 1974.

The memo dealt with four pieces of legislation concerning price rates and excise taxes and explained details for making con- tributions in each case, the Sun- *day Times said.*

It also set forth, the newspaper reported, the amount to be paid by companies in the Italian private oil industry association, Unione Petrolifera, prorated ac- cording to their shares of the market.

Regarding a measure on "de- fiscalization" or exclusion from excise taxes for some refinery *output, the Sunday Times quoted* the memo as saying:

"In order to obtain the provi- sion of defiscalization from May 12, 1971, to June 30, 1972, the undertaking was given to recog- *nize a figure amounting to 5 per* cent of the advantage which the companies stood to recoup from *the said defiscalization."*

The Sunday Times said that the beneficiaries of the oil com- pany payments were three parties in the governing coalition—the Socialists, Social Democrats and Christian Democrats.

$2-Million Payments

HARTFORD, Conn., April 11 (AP).—The United Technologies Corp., *a major U.S. defense con-* tractor, says it paid nearly $2 mil- lion in the last two years to *foreign agents who may have* used the money for bribes.

However, the firm, formerly known as United Aircraft, em- phasized that it knows of no illegal payments and that it never instructed anyone to make illegal payments.

United Technologies refused to name the countries in which pay- ments were made. The company's *foreign sales amounted to $902* million last year.

Disclosure by U.S. Firm

NEW YORK, April 11 (AP).— The Norlin Corp., the nation's leading manufacturer and dis- tributor of musical instruments, disclosed Friday the payment of up to $90,000 to foreign govern- ment employees to "obtain favor- able treatment."

The corporation, which also produces and sells beverages in Central and South America, said it has informed the U.S. Securi- ties and Exchange Commission of the payments.

The SEC said last week that so far more than 80 companies have admitted making questionable payments abroad and that there have been many disclosures lately as companies sought SEC guid- ance.

Focus On Britain

Beginning on Page 7, the International Herald Tribune presents a special report on the politics and economics of Britain. The report was pre- pared by journalists in the United Kingdom.

YOUR CLAS
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our offic

na Admits Violent Acts Provincial City Last Week

IG, April 11 (Reuters).— violence last week was ed to Peking, it was of- confirmed here today by ese news agency.

er-revolutionary sabo- ilar to last Monday's in- in *Peking's Tienanmen* also occurred in the cen- ovince of Honan, the aid.

Peking, monitored in eported last night that incial Communist party in Honan said anti- naries *had* "killed a in Chengchow, capital ovince, during the Ching stival last Monday.

s have been circulating that the violent Peking rations, which were fol- Thursday by the ouster Premier *Teng Hsiao-ping* appointment of Hua g to the premiership, had companied by violence Chinese cities.

ravel Discouraged

umors were fueled when s found it more difficult ual to get permission to the provinces.

s news agency report the Honan leader, Liu sun, as saying that in his province "there were also people who used the Ching Ming Festival [honoring the dead] to hatch counter-revolutionary sab- otage similar to the Peking inci- dent."

"Using the mailed fist of the *dictatorship of the proletariat,* we dealt a determined blow at these class enemies and com- pletely smashed their conspiracy," he said.

Honan is about 600 miles south- west of Peking.

Troops Removed

In Peking, for the first time since last week's riots, a cordon of army troops has been removed from around Tienanmen Square.

But the Martyrs' Monument *has been chained* off and access to it is forbidden.

The monument was the scene of some of the most violent inci- dents after the removal by the authorities of wall posters, wreaths and tributes to the late Premier Chou En-lai.

The official press was today dominated for the fourth con- secutive day by reports of big political meetings and processions in the provinces.

These rallies, directed by local party officials, expressed support

(Continued on Page 2, Col. 7)

British Defuse Bomb Amid Ulster Violence

BELFAST, April 11 (UPI).— British Army bomb experts defus- ed another bomb today in a wave of bombings and attempted bomb- ings in Northern Ireland.

One bomb thrown over an eight-foot fence injured eight per- sons last night at the Parador guest house in south Belfast, which was last bombed a month ago.

Yesterday two men were killed and 20 people hurt in two sepa- rate bomb attacks on bars in Northern Ireland, one in Belfast and the other in Armagh.

Parliament Amends Charter

Presidential Campaign Opens In Beirut; Truce Is Extended

From Wire Dispatches

BEIRUT, April 11.—A political battle for the presidency of war- torn Lebanon began shaping up today following parliament's pas- sage of a constitutional amend- ment allowing the election of President Suleiman Franjieh's successor.

Fighting in the eastern Bekaa Valley tapered off as Syrian forces took control of border checkpoints and leftist Lebanese forces fell back westward toward the capital, according to reports reaching Beirut.

Tonight, there was a report of fierce fighting in Beirut with tank, artillery and mortar duels between rightists, leftists and rival Palestinian factions claim- ing 20 *more* dead and 39 injured.

Leftist leader Kamal Jumblat claimed that up to 6,000 Syrian *troops were in Lebanon today as* military and political leaders stepped up contact to avoid a *resumption of full-scale fighting* between Moslem leftists and Christian rightists. Police said 56 persons were killed in several clashes and more than 25 per- sons kidnapped during the day.

Mr. Jumblat, a Moslem, said two more Syrian battalions had entered Lebanon's mountainous border region, bringing the total Syrian commitment here to 5,000 to 6,000 troops. Previous esti- mates had put the number at 2,000.

Leftist leaders met with Mr. Jumblat today. Afterward, they said they would extend the truce three more weeks to give peace a chance.

The rightist Christian factions are known to support an exten- sion of the cease-fire, virtually assuring that the truce will be continued.

Fears of Violence

Fears of violence aimed at sabotaging yesterday's parliamen- tary session proved unjustified as deputies met under strict security to pass a constitutional amend- ment paving the way for the resignation of Mr. Franjieh, a Maronite Christian, and the parliamentary election of a suc- cessor six months before the President's six-year term expires. The vote was 89-0, with nine deputies absent.

Mr. Franjieh has a month to sign the amendment before it automatically becomes law but Interior Minister Camille Cha- moun, a leading Christian right- ist, predicted that the head of state would sign the amendment in five days.

The presidential field contains *two front-runners and six persons* mentioned as possible compromise candidates to succeed Mr. Fran- *jieh. No election date has* been set but newspapers reported that May 2 had been informally set as a *tentative deadline.*

The leading Syrian-backed candidate is the central bank's governor Elias Sarkis, while Mr. Jumblat is known to favor Na- tional Bloc party leader Raymond Edde, an outspoken critic of the Syrian role in Lebanon, political sources said.

At stake for the Syrians is the future of their prominent role in Lebanon. They are exerting heavy pressure on Mr. Jumblat to drop Mr. Edde, who they fear will seek to minimize their influence, diplo- matic sources said.

The "Syrian factors" took on new dimensions during the week- end after Syrian troops crossed the eastern and northern borders and took control of three check- points.

Mr. Jumblat charged the troops were from the Syrian 91st Armor- ed Brigade and said that no con- sensus on a new president could be reached "unless he is elected away from foreign pressure."

The United States also viewed the latest Syrian moves with con- cern, diplomatic sources said. The United States is known to favor a Syrian diplomatic role in Lebanon but has warned against large-scale military intervention because of the risk of Israeli re- taliation.

Diplomatic sources said the United States did not care who replaced Mr. Franjieh as long as the next president is "a strong one" with a clear enough mandate to be able to act decisively in pulling the country's shattered government, army and institu- tions together.

U.S. envoy Dean Brown took to day off. Mr. Brown has dis- cussed with various Lebanese how the United States could join in aid programs to help reconstruct Lebanon after a peace settlement is reached. However, a U.S. Em- bassy spokesman denied local news reports that Mr. Brown had proposed a form of Marshall Plan to rebuild the country.

UPI.

President Ford at his news conference in Dallas.

In Confronting Russians

Ford Implies War Risk Imbues Reagan Policies

By Lou Cannon

EL PASO, Texas, April 11 (WP).—President Ford yesterday responded to Ronald Reagan's call for a firmer stance against the Soviet Union by suggesting that a policy of confrontation with the Russians would risk thermonuclear war.

At every stop on a campaign tour in Texas, the President took issue with the Republican chal- lenger's contention that the Unit- ed States has fallen behind the Russians in military strength.

But Mr. Ford *declined to out-* bid his challenger in tough talk about the necessity for military superiority. Instead, he recalled the promise he made when he as- sumed the presidency, to see that U.S. "strength will remain dedi- cated to the safety and sanity of the entire family of man, as well as to our own precious freedom."

Mr. Ford said here:

"Today, I repeat that pledge —to work for a world where the foundation of peace is mutual self-interest instead of mutual terror, to reduce world tension with patience and perseverance *rather than* increase those ten- *sions with hot words or rash* threats."

Earlier, at a news conference in *Dallas,* Mr. Ford was asked what the United States should do if there were any new outbreaks in Eastern Europe similar to the Hungarian revolution of 1956 or the Czechoslovak regime's libera- lization of 1968, both of which were suppressed by Soviet inva- sions.

The President replied that the Helsinki agreement signed with the Russians and others last year permits support by peaceful means for individuals or nations attempting to establish their free- dom. But he added:

"I don't believe the United States should say we are going to war if certain things happen in Eastern Europe. I think we ought to work with individuals and with countries to make sure that their freedom and their in- *dependence is achieved* and maintained, but to say the United States would take military *action under certain circumstances* is not the proper attitude for the President of the United States to take at a time when we are at peace . . . I don't think we should rattle our saber."

Mr. Ford declined to term Mr. Reagan a "saber-rattler" when asked if such a descrip- tion fit. But the tone of the President's remarks suggested that Mr. Reagan's policy pro- posals risked the danger of nuclear war.

"Peace today has a special significance—because war today has a special terror," Mr. Ford said. "A thermonuclear war to- day would mean death and des- truction on a scale so vast that we can hardly comprehend it.

"Where there is conflict, let us try conciliation," the President said. "Let us attempt to work out our differences on the nego- tiating table, rather than in a desperate duel that would leave the world in ashes."

He also said that he was not *overly concerned about reports of* Russian pilots in Cuba.

"Over a long period of time there have been Soviet pilots in Cuba," Mr. Ford said at the news conference. "We do not believe there has been any significant change from that. We would ob- ject if there was any significant change."

Reagan Presses Attack

SEATTLE, April 11.—Mr. Rea- gan yesterday pressed his attacks on the Ford administration's de- fense policy, claiming that the "balance of power has been shift- ing in favor of the Soviet Union" and this trend must be reversed.

Denying that he has uttered "rash threats" or "hot words" that imperil peace, Mr. Reagan said he felt he could "take a little credit" for making defense spend- ing a campaign issue which might lead Congress to appropriate more money for defense.

Despite Kissinger Visit to Moscow

Talks on Arms Curbs Stalled By U.S. Election-Year Issues

By Bernard Gwertzman

WASHINGTON, April 11 (NYT).—Efforts to conclude a new Soviet-U.S. agreement curb- ing strategic arms have again become deadlocked and top ad- ministration officials say they are not optimistic that the accord can be achieved before the November elections.

Following Secretary of State Henry Kissinger's last visit to Moscow in January, administra- tion officials were encouraged by the possibility of concluding the negotiations by the spring.

But several ranking officials said recently that the bitter elec- tion campaign, in which Presi- *dent Ford has been forced on the* defensive by attacks on détente and his defense policies, persuad- ed the *White House not to push* ahead with the kind of negotia- tions necessary for an accord.

In addition, the Soviet Union, apparently concerned about the growing anti-Soviet pronounce- *ments in this country, has* given signs of reassessing its own rela- tions with the United States.

As a result, the exchange of formal proposals between the United States and Soviet Union in the last two months has been fruitless.

"Neither side came across with a creative idea," a State Depart- ment official said. "We seem to be back at the pre-January dead- lock."

The official said that, if no agreement is reached this year, the two sides may have to try to extend the current five-year interim accord on offensive stra- tegic arms which expires in Oc- tober, 1977, thereby forestalling an expansion in either side's land-based or submarine-launch- ed missile forces that were frozen by the 1972 agreement.

On Friday, the United States and the Soviet Union completed negotiations on the text for limit- ing the size of underground nu- clear tests for peaceful purposes and this accord will be signed soon.

But officials said this was a separate matter, which has been

(Continued on Page 2, Col. 3)

What Kissinger, Sonnenfeldt Said

Secretary of State Henry Kissinger and Helmut Sonnen- feldt, counselor to the State Department, are under attack for their policies in Europe. The attacks stem from a brief- ing each of them gave to U.S. ambassadors at a meeting last December in London. The summaries of what they said then are on Page 21.

Poland Plans to Allow Emigrés to Set Up Private Enterprise

Project Believed Unprecedented in Eastern Europe

By Peter Osnos

WARSAW, April 11 (WP).— Poland's leadership, in a move apparently without precedent in Eastern Europe, has decided to permit outside private investment in the country—but only by peo- ple of Polish origin now living in the West.

Details of the innovative plan are still being arranged but offi- cials envision projects ranging from hotel resorts and motels to *factories producing* consumer goods for sale here and abroad. No upper limit on the *size* of the investment is expected, *they* say, nor will there be any restric- tions on profit margins.

Limiting the money-making opportunity to people who can *show some* family connection to Poland is evidently seen as the way to make ideologically palat- able what amounts to an open bid for capitalist enterprise.

"We are giving our emigrants *a chance to do something for the* land of their forefathers," a For- eign Trade Ministry official said.

There are about 6 million Americans of Polish ancestry, U.S. *officials estimate, with smaller* numbers in Canada, France and Britain—an international commu- nity known informally in Warsaw as Polonia. For religious and cul- tural reasons as well as family ties, many of these Polish de- scendants maintain close contacts *here.*

The idea for turning senti- mental attachments into financial propositions is said to have come from representatives of Polonia who attended a trade fair in Poz- nan in June. The suggestion was first put to party leaders for doc- trinal approval, *officials said,* and is now in the hands of eco- nomic specialists who are work- *ing out the financial regulations.*

Barring some last-minute de- lays, the program should be an- nounced in the next month or two.

Poland's socialist economy al- ready includes more privately owned business than other So- viet-bloc countries. There are, for instance, some small cosmetic makers, bakeries and butchers employing perhaps a dozen per- sons each. A few private im- porters have even cornered the market on certain ballpoint pen refills and brand-name motor oil.

In addition, about 75 per cent of the agricultural land is still owned by the farmers, whose sales to the state make up only part of their incomes.

There are also some large West- ern companies—Coca-Cola, RCA, Massey-Ferguson, International Harvester and Fiat among others —that have sold equipment, ex- pertise and even marketing fran- *chises to the Poles but retain no* long-term managerial role. A Holiday Inn just opened in Kra- kow and several hotels in Warsaw are linked to international chains. They are, however, wholly owned by the state.

Strict Marxist convention and high taxation assure that private enterprise among Poles will not expand much—by most reckoning the percentage is slowly declining. Nonetheless, if the new plan for *outside investment proves success-* ful, officials at the Trade Minis- try hint, it may be allowed to extend beyond the presently de- fined limits.

Poland's relatively relaxed posi- tion on entrepreneurship provides one explanation for why it should lead the way among Warsaw Pact countries in pursuing foreign capi- talists. Another reason is the *country's determined drive of re-* cent years to improve the stan- dard of living.

Ouster of Gomulka

Workers' riots over low wages and high prices in December, 1970, led to the ouster of party First Secretary Wladislaw Gomul- ka. The new leadership under Edward Gierek has raised wages *by more than 40 per cent in five* years while increasing the avail- ability of consumer goods and popular imported products.

As a result, Poland has run up *huge debts with the West:* U.S. experts place the total at about $8 billion. To pay off those loans and attract new ones, Poland needs to rapidly boost its earn- ings, primarily through exports

(Continued on Page 2, Col. 6)

Oil Wealth a Motivation

The Iraqi Regime's Obsession For Security Pervades Nation

By Jonathan C. Randal

BAGHDAD, April 11 (WP).—A foreign guest who complained that the hotel envelopes lacked glue was told by a smiling room clerk: "But that way, sir, at least they don't have so much trouble opening them."

It was not necessary to explain who "they" were. Even the most casual of visitors is quickly made aware of the regime's security obsession, which is perhaps understandable in view of Iraq's history of political instability and violence—and its oil wealth.

Little publicity is given to Iraq's oil business. The only statistics published about its various aspects invariably come from specialized publications edited abroad.

Criticism of the regime is not encouraged, as the West German Embassy discovered when it failed to win the release of an embassy chauffeur. He was sentenced to a year's imprisonment for expressing his discontent when he found that a government-run service station was out of gasoline.

Curbs on Diplomats

Diplomats must apply two weeks in advance for permission to leave the capital and appear sincere in telling newcomers that they have learned little about the country during their tours of duty.

Months after rumors of an abortive coup, alleged executions and other alleged signs of unrest at the beginning of the year, diplomats were reduced to comparing various versions—and concluding that if anything indeed had occurred it had had no visible effect on the power structure.

Membership in the ruling Arab Ba'ath Socialist party's Politburo is not listed in a publication but rather has to be pieced together when individual members appear at public functions.

For Iraqis, mixing with foreign diplomats apparently is not without its drawbacks. Even the most "friendly" of embassies is surprised if more than one Iraqi shows up at a dinner, no matter how many were invited.

Professionally trained Iraqis wanting to go abroad for vacations or studies are required to post bonds to insure their return. In some cases the bonds are worth the equivalent of $20,000 to $30,000.

But Iraqis have learned to accept even the most authoritarian decisions.

Singled Out

Recently all single residents of Baghdad — bachelors, spinsters, widows, widowers, the divorced—were ordered to leave their homes. No official explanation was provided, but there were suggestions that the authorities were worried about reports of high living by army officers.

Despite its oil wealth—estimated at between $7 billion and $8 billion last year—the regime has spent little money on consumer goods and even vegetables and simple imported items can be in very short supply.

No one knows for sure whether the shortages are government policy—for there is a dour determination to avoid the excesses of other oil-rich states—or simply reflect transportation bottlenecks.

But, in any case, for ordinary Iraqis chicken and other foods once reserved for the rich are now within their reach, even if the regime seems to have adopted Eastern Europe's unofficial form of rationing—long lines.

Bank Thefts In Beirut Put At $50 Million

BEIRUT, April 11 (AP).—Gunmen roaming Beirut's financial district have pulled off three of the biggest bank robberies of all time, escaping with at least $50 million, according to officials.

In the first of the three, the bandits blasted open the vault of the British Bank of the Middle East and rifled the safe deposit boxes, where sources said jewelry dealers and wealthy Lebanese stored large amounts of gold, jewels and cash.

That robbery occurred in January, before a Syrian-mediated truce between warring Christian and Moslem militias, which lasted about six weeks, the sources said.

Safe deposit vaults were reported cleaned out at two other big banks—the Banco di Roma and Bank Misr-Liban—amid renewed fighting last week.

Palestinians Accused

"The identity of the malefactors is known to all," said Raymond Eddie, a prominent Christian presidential candidate and lawyer for the Banco di Roma. He did not elaborate but his comment was taken to support the near unanimous belief that the robbers are Palestinian guerrillas.

Lucien Dahdah, a former finance minister and chairman of the holding company Almashrek, one of Beirut's largest banks, said $50 million was stolen from the British bank's vault but another source said the bank reported to its head that an absolute minimum of $20 million in valuables had been stolen.

"Only the owners knew what was in the [safe deposit] boxes. It could be $50 million or it could be $100 million or more," said Gabriel Badaro, vice-president of Beirut's Chamber of Commerce.

Other bankers here agreed that $50 million was a conservative estimate for the total stolen from all three banks.

The $20-million figure, if accurate, would make the British bank robbery the largest in history. "The Guinness Book of World Records" says the theft of the German National Bank's reserves—$10.3 million in gold and cash—at the end of World War II is the biggest robbery on record.

Spinola Leaves Zurich for Rio

BERN, April 11 (AP).—Former Portuguese President Antonio de Spinola has left Switzerland for Rio de Janeiro, the Swiss government announced.

It said the general, expelled for breaking his promise to abstain from political activity in Switzerland, left Zurich's airport Friday, accompanied by his secretary, Luis Oliveira Dias, who also was expelled.

The two were ordered out of the country after a Swiss federal police investigation revealed that the general, who had gone to Geneva after being expelled from France Feb. 7, gave aides there authority to obtain funds and supplies for the Democratic Movement for the Liberation of Portugal.

Civil Guard Dies Trying to Lower A Basque Flag

BILBAO, Spain, April 11 (Reuters).—A Spanish Civil Guard corporal was electrocuted as he tried to pull down a Basque Nationalist flag hanging from a street light cable here today, police sources said.

Corp. Miguel Gordo Garcia, 41, was with a Civil Guard unit called to remove the flag in the suburb of Baracaldo, where several flags had been placed overnight with slogans calling for Basques to support a "day of the fatherland" in the Basque country next Sunday.

He died after touching the cable in an effort to remove the flag, the sources said.

Corp. Gordo was the second Civil Guard to die in the Basque country this year trying to take down a nationalist flag. Another corporal was killed when he attempted to pull down a booby-trapped flag from a farmhouse near San Sebastian in January.

3 Filipino Hijackers Agree to Change Jets

BANGKOK, April 11 (UPI).—Three armed hijackers agreed during negotiations today to change to a larger jet for a flight to the Middle East.

But when a Philippine Air Lines DC-8 jet arrived in Bangkok tonight the hijackers said that they would wait until after dawn tomorrow before trying to switch aircraft.

The Philippines ambassador to Bangkok, Manuel Yan, said that the three Filipino Moslems had agreed to give up their suitcase of hand grenades and 10 of the 12 hostages they have held in the BAC-111 jet they hijacked last Wednesday in the Philippines.

United Press International.

AT THE WAILING WALL—South African Prime Minister John Vorster (left) and Foreign Minister Hilgard Muller during their tour yesterday of Jerusalem and vicinity.

U.S. Election Issues Stall Talks on Arms

(Continued from Page 1)

carefully isolated from any other Soviet-U.S. issue.

The deadlock in the strategic arms talks has come as a disappointment to Mr. Kissinger and his closest aides, who have been struggling for 17 months to conclude the agreement that was sketched in outline at Vladivostok by Mr. Ford and Leonid Brezhnev, the Soviet leader, in November, 1974.

The disappointment has been heightened by the fact that in late January, after Mr. Kissinger's extensive discussions with Mr. Brezhnev, those favoring a strategic arms accord believed it was certain to come about.

Rumsfeld's Advice

But according to various officials, when Mr. Kissinger explained to Mr. Ford and Defense Secretary Donald Rumsfeld what had been achieved and what was necessary to further the negotiations, the President, reportedly agreeing with Mr. Rumsfeld's advice, decided to take as noncontroversial a posture as possible. But it was also a policy that the Russians were sure to reject, and they did.

According to officials, what happened was this:

Before going to Moscow in January, Mr. Kissinger was given a series of options to present to Mr. Brezhnev for overcoming the remaining problems.

Under the Vladivostok agreement, both sides were allowed to have a maximum of 2,400 long-range missile launchers and bombers. Of these, 1,320 launchers could be for missiles with multiple warheads that can strike at several targets.

However, after Vladivostok, the Americans began insisting over Soviet objections that a new Soviet bomber, known in the West as the Backfire, be included in the 2,400 total since under certain circumstances, such as flying below the speed of sound, it could hit the United States.

The Russians claimed that a new U.S. weapons system, the Cruise missile, which flies at low altitudes and at slow speeds but is highly accurate, be included in the totals if it had a range of more than 375 miles.

Mr. Kissinger's options were wide and in Moscow he settled with the Russians on a system by which air-launched Cruise missiles from bombers would be allowed with a range of up to 1,500 miles, but each bomber would be counted against the 1,320 multiple warhead total.

The Americans also suggested that the Russians then elaborate on a scheme to reduce the 2,400 maximum to 2,200. This would allow the Russians to have about 200 or so Backfire bombers and not count them in the total. This was seen as a face-saving device for the Russians. The United States proposed limiting the submarine-launched Cruise missile to 375 miles and allowing 25 ships to carry 10 Cruise missiles each above the limit.

In Moscow, the two sides also agreed on definitions for a "heavy" missile to insure that the Russians did not expand their already large force of 309 such land-based missiles.

But when Mr. Kissinger began discussing the new negotiating situation in Washington, he found that the Pentagon was resisting any further compromises.

Jackson and Reagan

In fact, Mr. Rumsfeld still insisted that the Backfire be included in the total ceiling. Otherwise, Sen. Henry Jackson, of Washington, a leading Democratic contender, and Ronald Reagan would accuse the administration of giving the Russians an advantage.

The Joint Chiefs of Staff also resisted restraints on the surface-launched Cruise missile, even though Mr. Kissinger insists that the Navy will never ask for funds to deploy such a system.

Finally, on Feb. 16, Mr. Kissinger gave Soviet Ambassador Anatoly Dobrynin the "counterproposal."

That proposal, similar to an option that the administration had discarded in January when Mr. Kissinger was in Moscow, was for the two sides to agree on what had been achieved and put aside remaining contentious issues. In effect, both sides would be free to develop the disputed weapons systems, the Backfires and the surface-launched Cruise missiles.

But the Russians, apparently more concerned about the United States embarking on the surface-launched Cruise missiles, responded late last month with a message from Mr. Brezhnev to Mr. Ford repeating Soviet interest in an agreement but repeating Soviet opposition to any Cruise missile with a range beyond 375 miles.

Supersonic Speeds

In Vladivostok, the two sides had agreed on such a limit for missiles, but the United States claimed that this referred only to ballistic missiles that fly at supersonic speeds beyond the atmosphere.

In effect, the Soviet Union had rejected the U.S. proposal and asked Washington to come up with a new one. The "verification panel," the inter-agency group that studies arms-control matters, has been meeting and is again studying new approaches.

But State Department officials said the White House inclination now is to postpone negotiations until the primaries are over in June.

These officials believe that any negotiations now would be interpreted as too political and that it would be doubtful that the Russians would make any concessions if they were uncertain who would be elected in November.

Soviet diplomats here, irritated over Mr. Ford's dropping of the word "détente" if not the goal of improved relations, have also been very sensitive to the emphasis on defense spending and the slogan of "peace through strength" now being used by Mr. Ford.

Toulouse Blames U.S. for Concorde Problem

TOULOUSE, France, April 11 (NYT).—In this capital of the French aerospace industry, most people believe that Paris has quietly dropped plans to continue the troubled Concorde project after the 16th supersonic airliner is completed, and that it is up to them to press the government to change its mind.

Robert Boules, vice-president of the regional council here, said so during a demonstration in the main square recently, and so did Maurice Pinel in a conversation at the local headquarters of the Confédération Générale du Travail, the dominant Communist-oriented union federation that he represents at Aérospatiale, where the Concorde airframes are assembled. The Rolls-Royce engines are made in Britain.

The same feeling wes expressed by Lucian Brun of the moderate Force Ouvrière union, Jean Dauzet of the Confédération des Cadres, a nonpolitical union representing white-collar workers, and by Jean-Michel Fourtanier, founder and head of the 20,000-member Committee of Support for Concorde.

Mr. Fourtanier, echoing a widely held view here, said: "It wouldn't have happened if De Gaulle were still here."

'The Americans'

The consensus about whom to blame for Concorde's grave status is impressive. It holds that the culprit is a "weak French regime caving in before the Americans."

"Caving in," of course, alludes to acceptance of the recent decision of the Port Authority of New York and New Jersey to bar Concorde from landing at Kennedy Airport despite the announcement by U.S. Transport Secretary William Coleman Feb. 4 admitting the jetliner for a trial period of 16 months.

The pressure from Toulouse on the government has already taken the form of demonstrations and mail campaigns. In a nationwide campaign, Communist party workers got 80,000 Frenchmen to sign a letter to President Valéry Giscard d'Estaing urging that Concorde production be continued.

'Concorde Oui'

Mr. Fourtanier's support committee has distributed 100,000 blue-and-white stickers showing the delta-winged plane and inscribed "Concorde Oui."

Beyond the concern with continued employment is a tremendous sentimental attachment to the Concorde among the men who have been involved in the long adventure of the plane's development.

From Bernard Dufour, the engineer who runs the three Aérospatiale plants here, to the local top representative of Air France, Albert Daleme, to Jean Mirassou of La Dépêche, the local newspaper's expert on the Concorde, and all the union leaders, no one accepted arguments about noise pollution as the real reason for the New York decision. All said that the ecological argument was a camouflage for an attempt to strangle a pioneering non-American project.

The project concerns continued employment for the highly specialized 7,500 employees of Aérospatiale and a half-dozen other subcontractor companies in the area.

British Historian Offers a Solution For Ulster Issue

DUBLIN, April 11 (Reuters).—Expulsion of Northern Ireland's one million Protestant inhabitants could be the best way out of the Irish conflict, a British historian suggested here today.

Prof. A.J.P. Taylor of Oxford University said in a radio interview: "The question is whether the Irish nationalist majority will be strong enough to expel the Protestants. If they are, then that is the best way out."

He agreed that his proposal, if feasible, would be drastically inhuman. But he said compromise solutions had been tried for at least 90 years and "every such attempt made the problem worse." There are 500,000 Roman Catholics in Northern Ireland.

Prof. Taylor compared Northern Ireland with Czechoslovakia and pointed out that after World War II the country's German inhabitants were forced out. He said Czechoslovakia was now a united nation and the expelled Germans were settled and prosperous in West Germany.

Woman Defector in U.K.

PLYMOUTH, England, April 11 (Reuters).—Lyudmila Martemyanova, an oceanographer who walked off a Soviet ship earlier this week, has been told she can stay in Britain, a government official confirmed today.

A Test With Few Conclusions

Israeli-Occupied West Bank Holds Municipal Ballot Today

By Thomas P. Lippman

JERUSALEM, April 11 (WP).—Walls, windows, taxis and utility poles throughout the Israeli-occupied West Bank are festooned with posters and banners of candidates seeking election tomorrow to the municipal councils of 24 towns.

Some of the candidates are radical leftists, some are conservative allies of Jordan's King Hussein, some represent the Palestine Liberation Organization, some are probably agents of the Israeli military government and some, as a prominent resident of Hebron put it, "are naive or innocent people who just want to give some service to their community."

The elections are being viewed here as a test of popular sentiment on the West Bank, as an indicator of the strength of the PLO and its claim to represent the West Bank's people, as a referendum on Israel's military occupation and as a measure of how much the residents have become radicalized in the wake of the anti-Israel demonstrations of February and March.

It seems clear that the 205 winners will on the average be younger, better educated, more openly nationalist and less inclined to cooperate with Israel than were their predecessors. Whether the elections will justify any overall conclusions beyond that is doubtful. The local issues vary from town to town. No references to larger issues are permitted in campaign literature and many of the results will be dictated by the family ties and local traditions that transcend politics.

Defense Minister's View

Theoretically, international issues should have no place in these elections at all. "These are personal and confidential municipal elections and there is no sense in attributing to them any irrelevant issues," Israeli Defense Minister Shimon Peres said Friday.

But there is clearly more involved than water supply and street paving. "We are for the PLO; we say it in our speeches and that is the issue," said Karim Khalaf, mayor of the important town of Ramallah, who is seeking re-election on a platform of opposition to the Israeli occupation. "In our public meetings people don't ask about fixing the streets or getting factories. They want to end the occupation."

Mr. Khalaf is running with a slate whose campaign posters are printed in green, black, red and white, the colors of the PLO flag. The Israelis, who regard the PLO as an outlaw terrorist organization, tore down and painted over some of the posters but new ones quickly appeared. "If they tear down 10 we put up 100," Mr. Khalaf said.

A similar slate is running and favored to win in Nablus, the West Bank's largest town. Elsewhere, however, the lines are less clearly drawn.

In the important southern town of Hebron, for example, Mustafa el-Natshi, a candidate on a slate that calls itself nationalist, said that the group was "nonpolitical." He said that "the issues here are electricity and service to the city."

This slate was formed, however, after a relative of Mr. Natshi's, who was expected to win a council seat as an outspoken nationalist candidate, was deported by the Israelis. Expert analysts of West Bank affairs say the anticipated victory of this slate will be a setback for the Israelis, who have been accustomed to dealing with Hebron's former mayor, the cooperative Sheikh Ali Ja'abri, who declined to seek re-election.

Israel's policy on the West Bank is to adhere to the terms of the Geneva Convention on occupied territories, which requires that the laws and institutions of the former power be kept intact as far as possible. The municipal elections are being conducted under the terms of a 1955 Jordanian law, which specified that elections for local councils be held every four years. Similar elections were held in 1972.

Israel unilaterally departed from Jordanian practice to allow women to vote this year and 32,997 women are among the registered voters—the only female voters in the Arab world, the Israelis say.

Only taxpayers are permitted to vote. Anyone over the age of 21 who pays municipal or property taxes equivalent to one Jordanian dinar is entitled to designate three other persons besides himself as eligible voters.

Voting is by written ballot, supervised by Arab election officials. Illiterates are entitled to the services of a member of a group of scribes assembled at each polling place. The illiterate voter's vote is thus less than secret. Israeli experts also say some voters feign illiteracy in order to take the scribe in with them and thus be able to prove to a local family leader or political boss that they cast their vote as promised. Analysts say that these kinds of arrangements and the strong, extensive family groupings that dominate the West Bank, often exert more influence on the results than do any issues. There are no political parties. There is no di[...] loting for the post of ma[...] law specifies that the [...] of the Interior—now the military governor—sel[...] mayors after the electi[...]

After the 1972 elec[...] Israelis permitted th[...] members to nominate [...] from among their rank[...] military government ha[...] to commit itself to foll[...] same procedure this tim[...] the winners in a given [...] unacceptable to the mili[...] ernor as potential mayor [...] add extra council mem[...] own choosing and de[...] of them as mayor.

Poles Set Up Emigré Plan

(Continued from Page 1)

and tourism. Hence, the appeal of private investment.

The key to the plan, as it is explained by Polish officials, is permission for the foreign businessman to withdraw enough profits from his plant in Poland to make the effort worthwhile. However, since Polish zlotys are not transferable into Western currencies, the company would have to earn a substantial portion of its income outside the country.

A factory producing women's handbags, for instance, could sell part of its output inside Poland to pay for salaries of employees and export the rest. The main benefit to the state would presumably be in the taxes levied on export earnings.

As for hotels and rest homes, these would doubtless be directed primarily at Western visitors who pay their bills in dollars, francs and other convertible currencies.

Whether the plan can work in practice is still far from clear. Some Western analysts here are skeptical that even businessmen of Polish ancestry would be anxious to get deeply involved in the country without guarantees that the political climate will remain amenable and that access to labor, materials and markets will not be hampered by the requirements of an economy that is essentially state-run. These guarantees will be difficult to provide.

Polish trade specialists say they recognize these reservations. The message they convey is flexibility. The only firm criteria at this point, a senior official said, is that projects "be useful to the economy and good for the people."

Israel Studi[...] Mediterrane[...] Dead Sea Li[...]

TEL AVIV, April 11 [...] Israel is starting a [...] two-year study of the fe[...] ty of digging a 50-mil[...] and tunnel that would li[...] Mediterranean and Dead [...] the Ministry of Comme[...] Industry said.

The canal and [...] through the Judean hills [...] not provide a shipping [...] but would be used to [...] hydroelectric power [...] plenish the evaporating [...] of the Dead Sea, a m[...] spokesman said.

He said that such a [...] would carry a cons[...] cost of more than $1[...] lion.

Previous plans to li[...] two seas have been di[...] as impractical. The De[...] from which heavy salts [...] tracted to feed an Isra[...] eral industry, lies 1,3[...] below sea level.

Associat[...]

BEATING THE DRUM—A young Chinese in Peking [...] his approval of the recent changes in the gove[...]

China Admits Violent Act[...] In Provincial City Last W[...]

(Continued from Page 1)

for the decision to oust Mr. Teng and appoint Mr. Hua.

Ford Congratulates Hua

HONG KONG, April 11 (UPI).—Mr. Hua received congratulations from President Ford, who expressed confidence that "through our joint efforts relations between our two countries will continue to advance," the Chinese news agency said today.

The message was among many run by the news agency, [...] two from leaders of N[...] South Vietnam.

After offering congra[...] yesterday on Mr. Hua's [...] ment as Premier, the new[...] reported, Mr. Ford sa[...] normalization of relations [...] the United States and the [...] Republic of China is in [...] terest of the peoples [...] countries, and I am conf[...] through our joint effo[...] tions between our two [...] will continue to advance[...]

Italian Poll Finds Distrus[...] Of Communist Party in Po[...]

(Continued from Page 1)

what I am not so sure about is the possibility of a Communist party to be free of Moscow the day they enter the government."

Ready to Share

The Communist party, on the other hand, has declared itself ready for sharing power through what it calls a "historic compromise" alliance with the Roman Catholic Church and the Christian Democrats, Italy's splintered but still dominant party.

However, the Christian Democrats, while conceding a consultative role to the Communists, have rejected such a Marxist-Catholic alliance.

General Elections Seen

ROME, April 11 (Reuters).—Italian Communist leader Enrico Berlinguer said yesterday there was virtually no chance of avoiding early general elections and called on Italians to vote the Communists into government.

The Communist leader told a mass rally here: "If we are going to vote, the people must create the conditions for Italy to have finally a government worthy of the name, one which includes the renewing [...] generative force of the [...] nist party."

Mr. Berlinguer made [...] appeal for an agreement [...] Premier Aldo Moro's [...] Christian Democratic go[...] and other parties on ur[...] nomic and political issue[...] would stave off election[...] next year.

At the moment, Italy [...] ped by a bitter dispute [...] tion law reform and an [...] crisis. The lira, now [...] $1, has lost 28 per [...] value in less than two [...]

Appeal by Pontiff

VATICAN CITY, April 1[...] —Pope Paul, celebrating [...] day on Palm Sunday in [...] ter's Basilica, called on [...] people not to follow the [...] "force ... and oppressive [...] tion." Vatican sources s[...] appeal was a clear refere[...] week of political violence [...]

The Pope, 78, spoke to [...] of 20,000, most of them [...] as he led millions of [...] Catholics throughout the [...] in Holy Week celebration[...]

هكذا من الأول

d in Ohio, Missouri

nic Purity' Issue Haunts er Despite His Apology

By Robert Reinhold

BUS, Ohio, April 11 With his campaign still e from the tempest over the term "ethnic puri- cnding the integrity of oods, Jimmy Carter has is presidential bid to state where tight-knit inorities constitute a le political force.

his public apology on Thursday, the former Georgia governor found himself forced repeatedly to explain himself and to recite his civil rights record Friday in a day of fund-raising and campaigning in Cleveland and Columbus.

"I do not think it will create any deep problem," Mr. Carter said at a news conference here on Friday. He added he had spoken to a number of black leaders and "they accepted my regrets." He said he wished everybody would "drop the whole subject."

His comments earlier last week —in which he used such terms as "black intrusion" and "alien groups"—have threatened to undermine considerable support Mr. Carter has among blacks and liberals.

Relevance in Cleveland

His remarks seemed to have particular relevance in Cleveland, which is typical of U.S. cities in that it has a mostly black central core surrounded by white ethnic neighborhoods where there is considerable fear of black expansion.

The issue is likely to play a role in the state's presidential primary on June 8—as well as in that of neighboring Pennsylvania on April 27. Both are considered crucial to Mr. Carter if he is to prove he can carry large industrial states. It was not clear whether his "unfortunate choice of words" would help or hurt in these states.

The issue came up Friday morning at a meeting of Cleveland's City Club, a public forum group. In response to a question, Mr. Carter gave a carefully constructed explanation of what he meant by his controversial words.

"I should have said ethnic character, ethnic heritage," he said. "I see nothing wrong with a heterogeneous type American population. If you have a lower-status neighborhood that has black primarily, or Latin American primarily, or Polish primarily or Germanic descent primarily, I see nothing wrong with that.

"People have a tendency—and it is an unshakable tendency—to want to share common social clubs, common churches, common restaurants. I would not use the forces of the federal government to break up the ethnic character of such neighborhoods."

Favors Open Housing

But, he went on to say he did favor enforcement of open-housing laws "if someone of another ethnic group wants to go into such a neighborhood."

He cited his support of open-housing legislation in Georgia, where he said he created a biracial real estate commission to enforce open housing.

Mr. Carter added that he also strongly backed the concept of affirmative action to assure that new federally funded housing be made "equally available in an affirmative way—not just in a passive way—to different ethnic groups and to different families depending on their economic status or income."

Satisfied With Answers

KANSAS CITY, Mo., April 11 (AP).—Kansas City's black political leaders confronted Jimmy Carter yesterday about his reference to "ethnic purity" and came away saying they were satisfied and impressed with his answers.

The confrontation took place at a news conference at which the former Georgia governer replied to the black politicians' questions on racial issues.

Spokesmen for the blacks were City Councilman Bruce Watkins and Harold Holliday, who is president of Freedom, Inc., Kansas City's strongest black political organization.

Mr. Holliday asked him if he favors the right of an individual to move into any neighborhood he chooses. "Yes, I defend that right," Mr. Carter replied.

Mr. Watkins said he knew Mr. Carter's use of the term "ethnic purity" was inconsistent with his earlier words and deeds "but I wanted to hear it from the man's own mouth. He was very impressive and I was quite satisfied."

Mr. Holliday said he, too, was satisfied. "One spontaneous slip of words should not overshadow his performance. I think it is unfortunate that the other presidential candidates who are trailing in the polls should use that term to propel their candidacie."

None of the black politicians committed themselves to Mr. Carter's candidacy for the Democratic nomination for president.

House Aide ks Plan of al Reserve

IGTON, April 11 (NYT). ite House Office of inication's policy has at a plan to build a nter for the electronic funds could give the ernment "a highly ef- l for keeping track of enforcing 'correct' be-

cism concerned changes y the Federal Reserve at would enable the xisting computers to nancial transactions in al clearing center file.

inistration's criticism S proposal to expand s made by John Eger, tor of the White House Telecommunication, in l with the FRS April 2. implest level, what has d is the ability to di- rconnect the records icate the availability rability of funds in an account," he said.

a danger that govern- ation [of a monitoring y ultimately pose very s to the privacy of in- izens. A detailed mon- he information carried system could easily ata on a user's buying itical activities, physi- ents and so forth."

Says Memo llaway Deal by an Aide

GO, April 11 (AP).— Secretary Earl Butz he forwarded a memo ordinate supporting the al expansion of Howard Colorado ski resort. Butz insisted that this nstitute a personal in- by him in behalf of y, former Army secre- tain U.S. Forest Ser- al to expand his resort land. Mr. Callaway President Ford's cam-

gressional hearing Fri- ordinate, Phillip Camp- responsibility for the said that he urged Mr. rsuade the Forest Ser- prove the proposed ex-

llone, chief investigator te Interior subcommit- stified that Mr. Butz memo last July from ell, who was then an under secretary.

h Scientist ssia Assails rism in N.Y.

Y, April 11 (AP).—A Jewish scientist who denied permission to said yesterday that militant Jews in New t helping his case or usands of others who ave for Israel.

and abuse of Soviet the UN might even ewish cause here, Dr. Levich said.

ally, anti-Semites of used the immoral ac- dividuals as a pretext he Jewish people as a Levich, 58, said in a to Western correspon-

noral motto, 'the ends means,' cannot be the struggle for any just the contrary, disrep- nods can cast a shadow st noble endeavor."

e highest ranking So- st to apply for an exit re losing his job soon ying to emigrate in evich was a renowned ist. He remains a the Soviet Academy His two sons were and left for Israel last

United Press International.

Jimmy Carter after winning the New Hampshire primary.

News Analysis

Carter's Views Raise Issue Of Religion's Place in Politics

By Kenneth A. Briggs

NEW YORK, April 11 (NYT).—Jimmy Carter's open espousal of his Christian beliefs in the campaign for the Democratic presidential nomination has raised the issue of religion's place in politics more arrestingly than in any presidential race since John F. Kennedy's in 1960.

In Kennedy's case, the question was whether a Roman Catholic could be elected and what the consequences would be for relations between church and state.

The church-state concern has re-emerged with Mr. Carter's candidacy and the question of whether Mr. Carter, a deeply committed evangelical Christian, can appeal to Southern Baptists, an overtly more secular culture, with his frank admission of conservative Protestant piety.

Mr. Carter began to speak of his faith in the campaign for the North Carolina primary on March 23 and remains the only candidate in this presidential campaign to do so. His showing in the primaries last week in New York and Wisconsin appeared to support the view that his openness on religion has not hurt him.

Widely Shared

And the nation's religious climate suggests that the former Georgia governor's stance of evangelical theology is not only widely shared but is also gaining followers more rapidly than any other Christian perspective.

The current evangelical movement, whose most celebrated spokesman is the Rev. Billy Graham, grew out of earlier stages of fundamentalism. It inherited some of the biblical and moral views of fundamentalism but has generally developed a more relaxed, open spirit toward both religion and the world.

The Southern Baptist Convention, whose ranks include Mr. Carter and Mr. Graham, is the largest single U.S. evangelical church, with 12.7 million members and averages 250,000 new adherents annually.

Although a broad range of churches define themselves as "evangelical," the phenomenon is more a religious state of mind than a strictly identifiable branch of Christianity. Other Christians, including Roman Catholics and some members of main-line Protestant groups, embrace basically the same outlook on the need for personal faith, biblical teaching and evangelism.

Identification Cited

The Rev. Dean Kelley, author of "Why the Conservative Churches Are Growing," estimated that 40 million Christians in the United States readily identify with Mr. Carter's evangelical outlook. Others put the number as high as 50 million.

In addition, as Mr. Kelley and others point out, millions of other Christians and non-Christians are sympathetic to the candidate's theology because it evokes elements of a widely held faith in a personal God and a nation richly blessed.

The former governor's style of subjective, fervent faith has frequently won enthusiasm among blacks, from whom he has drawn sizable support. His most eloquent testimony to his beliefs during the New York campaign occurred in a black Methodist church in Buffalo. He is comfortable in such settings.

Martin Marty, a University of Chicago historian, believes Mr. Carter's theology has "a huge constituency" and would prove a possible stumbling block only for a small minority of "semi-secularized" voters.

Five Districts

He divides the U.S. religious map into five districts; the Baptist-dominated South, the Methodist-oriented mid-South, the heavily Lutheran upper Midwest, Mormon Utah and the non-geographical urban "pluralist" community. Mr. Carter would presumably have trouble only in the last area because of its secularist tendencies, Mr. Marty believes.

Mr. Carter says his decision to talk about his convictions in the middle of the campaign was made after prayerful thought.

"When the media began to emphasize my beliefs," he said in an interview recently, "I did not know how to deal with it; whether to answer the questions or say I didn't have a comment."

"I decided to tell the truth," he continued, "not to conceal it but reveal it. If there are those who don't want to vote for me because I'm a deeply committed Christian, I believe they should vote for someone else."

Similar Beliefs

A race between Mr. Carter and President Ford would match two candidates with similar religious beliefs. Mr. Ford is known to have become strongly evangelical in recent years. Thus far, Mr. Ford's beliefs have been muted much more than Mr. Carter's.

Like many evangelical Christians, Mr. Carter balks at a literal view of the scriptures, an article of faith among the fundamentalists.

He believes in the power of prayer, recalling that he "spent more time on my knees the four years I was governor in the seclusion of a little private room than all the rest of my life put together." But he disavows contentions that his prayer life has experienced the miraculous.

Church, State

Most uneasiness appears to stem from a fear that an evangelistically minded president might use his power to advance his beliefs or violate the separation of church and state.

Mr. Carter's supporters say that Baptists have been in the forefront of struggles to maintain separation of church and state and that the candidate's record shows nothing that could raise any objections on this score.

"I've never tried to use my position as a public official to promote my beliefs and I never would," Mr. Carter said.

He has said that he believes personal example is the best way to influence others and that matters such as abortion and premarital sex should not be legislated against, although he opposes both personally.

Mr. Carter also rejects any suggestion that he has a messiah complex.

"I don't think God is going to make me president by any means," he said at a recent news conference. "But whatever I have as a responsibility for the rest of my life, it will be with that infinite personal continuing relationship."

Opposed Angola Intervention

A Study of Congresswomen Shows More Liberal Votes

By Eileen Shanahan

WASHINGTON, April 11 (NYT).—An analysis of the voting records of women members of Congress lends support to the thesis that women officeholders tend, more than men, to oppose increased spending and a hard-line foreign policy.

The analysis has been published in the feminist newsletter, The Woman Activist, and was prepared by Flora Crater, the Virginia feminist and politician who publishes the newsletter.

Mrs. Crater's study shows that the 19 women members of Congress voted unanimously against providing aid to the side favored by the United States in Angola—a vote in which the five Republican members opposed the wishes of their party's leaders.

In addition, substantial majorities of the 19 women voted in opposition to the leaders of both major parties against funding for the new B-1 bomber, against providing military or security aid to Chile and in favor of prohibiting the use of government funds to plan CIA assassinations of foreign leaders or influence foreign elections.

Unanimous on Angola

Opposition to U.S. intervention in the war in Angola was the only issue on which the women members of Congress were unanimous among the 20 issues, both domestic and international, chosen by Mrs. Crater for analysis.

All of the votes studied took place during last year's congressional session.

On domestic issues, there were fewer instances than in the military and foreign policy fields of near-unanimity among the women.

Mrs. Crater's study showed that the majority of the congresswomen of both parties—11 of the 14 Democrats and 4 of the 5 Republicans—had voting records that were more liberal than those of their party's leaders.

The three Democrats who were more conservative than their leaders were all from Southern or border states. They were Corinne Boggs of Louisiana, Marylin Lloyd of Tennessee and Leonor Sullivan of Missouri. No Republican woman was more conservative than her party's leaders.

Least With Party

The congresswoman who voted least with her party was Rep. Margaret Heckler, R-Mass., who opposed the Republican leadership on 13 of the 20 votes studied. Ranking next in refusal to follow her party was Rep. Millicent Fenwick, R-N.J., who voted 10 times with her leaders and 10 times against.

No Democrat opposed her party's leaders on more than 7 of the 20 votes. The three Democrats who opposed their leaders that many times were Patricia Schroeder of Colorado, Gladys Spellman of Maryland and Mrs. Sullivan.

Mrs. Crater ranked the congresswomen as follows according to the number of votes they cast that she regarded as liberal:

Bella Abzug, D-N.Y., 20; Elizabeth Holtzman, D-N.Y., and Patsy Mink, D-Hawaii, 19; Shirley Chisholm, D-N.Y., Helen Meyner, D-N.J., and Martha Keys, D-Kan., 18; Mrs. Spellman and Yvonne Burke, D-Calif., 17; Barbara Jordan, D-Texas, Mrs. Schroeder and Cardiss Collins, D-Ill., 16; Mrs. Heckler, 14; Mrs. Fenwick, 13; Mrs. Lloyd and Mrs. Boggs, 11; Mrs. Sullivan, 9; Shirley Pettis, R-Calif., 5; Marjorie Holt, R-Md., 3, and Mrs. Virginia Smith, R-Neb., 2.

U.S. Forecasts Big Wheat Crop Despite Drought

CHICAGO, April 11.—The Department of Agriculture has announced that the reduction in the winter wheat crop on parts of the Great Plains because of drought will not be so large as had been feared.

The department's crop reporting board issued a special drought report on Friday predicting that winter wheat production would be about 522 million bushels in the parched states of Kansas, Oklahoma, Colorado, New Mexico and Texas—3 per cent below its December forecast and 26 per cent below production last year in those states.

Some analysts, however, had predicted that winter wheat in the area could be down by more than 40 per cent because of a persistent lack of moisture since the fall seeding.

"The prospect for winter wheat is not that bad," Secretary of Agriculture Earl Butz told a press conference here.

He said the department now anticipates a total wheat crop "in the neighborhood of 2 billion bushels this year." If this estimate proves correct, the crop would be the second largest in history, a little more than 100 million bushels short of last year's record and 200 million bushels greater than 1974's large production.

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U.S. Miners' Ex-Leader Begins Life Sentence

PITTSBURGH, April 11 (NYT).—The United Mine Workers' former president, W.A. (Tony) Boyle, 74, began serving three consecutive life sentences last week in a state penitentiary at Pittsburgh. The sentences were imposed on Boyle last year for his part in ordering and financing the 1969 murders of Joseph Yablonski, a reform challenger to his union regime, and of Mr. Yablonski's wife and daughter.

Boyle was taken to the penitentiary from Springfield, Mo., Medical Center for Federal Prisoners. He had completed 28 months of a three-year federal sentence for embezzling union funds.

U.S. Study Backs Floating A-Plant

WASHINGTON, April 11 (UPI).—The Nuclear Regulatory Commission staff has decided that there are no major environmental reasons to block construction of the world's first floating atomic power plant in the Atlantic Ocean off the New Jersey coast, a spokesman said yesterday.

The staff's draft environmental impact statement appeared certain to draw heavy criticism. It must be submitted for comment to federal, state and local officials and is subject to revision before a final statement is issued.

The book-length draft statement was based on a two-year study of plans by the Public Service Electric and Gas Co. of Newark to put a floating nuclear power plant 2.8 miles out in the Atlantic, just north of Atlantic City.

Probes' Publicity, Recession Seen Factors

Applications for CIA Jobs Up 30% in Year

By Robert Lindsey

LOS ANGELES, April 11 (NYT).—Despite the recent allegations of misbehavior by the Central Intelligence Agency, the number of college students seeking CIA jobs has increased 30 per cent over the last year, according to agency officials.

Recruiting efforts by the agency have touched off campus protests in a few cases and some colleges have banned CIA interviews on campus. But a check with college administrators and students in 10 states indicates indifference and a tight employment market has supplanted much of the anti-CIA hysteria which reached a peak during the final years of the Vietnam war.

"I'm not that thrilled with working for that organization," Richard Mintzner of New Rochelle, N.Y., a Duke University senior who specialized in Soviet studies, said. "On the other hand, there is a tight job market." Mr. Mintzer has a CIA application in his room but has not decided yet whether to submit it.

"I'd like to get a job using my skills; I know college grads who are packing groceries," said Michael Welsch, a senior who majored in Russian at Arizona State University and who failed to get a job with the CIA.

'Heightened Interest'

Victor Lindquist, director of placement at Northwestern University, said he thought that the congressional investigations of the CIA and disclosures of its alleged unlawful operations had led to "heightened interest" in intelligence work.

"They've dragged the CIA activities out of the cloakroom," he said. "They've lost some of the cloak-and-dagger aura. I think there's greater acceptance on the part of students pursuing a career; anyone expressing an interest in a CIA job is not going to be ostracized."

F.W.M. Janney, director of personnel for the Central Intelligence Agency, said in a telephone interview that if the CIA was now finding it easier to work on campuses, the interviews of students have sometimes tended to be more difficult.

"They are asking us a lot more searching questions about our policies and about our activities, and we have had to give more answers and better answers than we have in the past," he said.

Mr. Janney said the recent recession and the resulting poor job outlook for graduates was apparently a major factor for the increased interest, but not the only one.

The 30-per-cent increase in applications, he said, was almost 10 per cent greater than the general increase this year in applications for civil service jobs.

"I would tend to equate the difference to the advertising that's taken place, in terms of the coverage we've received," he said wryly. "They know how to spell our name."

More Selective

Mr. Janney would not specify the number of applications that the agency had received. He said that the number of on-campus interviews had increased this year but it still lagged behind the number prior to 1968. "Generally, we conduct interviews on campus unless we have reason to believe it would cause some embarrassment to the university or ourselves," he said.

The increase in applications has not been matched by a rise in job openings and this situation has let the agency be more selective. Mr. Janney said the number of new employees hired this year would be about the same as last year—approximately 700 clerical workers and 400 in "professional" positions. Of the latter, about half of the new employees will have bachelor's degrees, the rest advanced degrees.

He said the agency's efforts to hire more people from minority groups had made some modest improvements. For example, "We've had some better luck in our effort with Hispanics," he said. But he acknowledged that more efforts were needed in this area.

Although the overall reception of CIA recruiters has improved recently, visits or projected visits by agency representatives resulted in serious disruptions this year at the University of Indiana, the University of Michigan and the University of California, San Diego.

At the San Diego campus, disciplinary hearings are currently under way with 10 students accused of jostling and spitting on the university's president, David Saxon, in a protest last fall over the planned participation of a university representative in a CIA conference on minority hiring.

However, the recent disclosures about the agency appear to have had little effect on recruiting.

Acceptance of NSA

Similarly, several college placement officials said there was generally little resistance to recruiting by the National Security Agency, the government codebreaking and telecommunications eavesdropping organization that has been accused of improper spying on U.S. citizens.

Several students interviewed at Boston University said they found it amusing that the college administration still discouraged campus interviews. "The CIA is just like another business; why can't they recruit on campus?" said Michael Caraeff, a junior from Brooklyn, N.Y.

One of about 50 Brown University students who took an exam to join the National Security Agency, Ana Marie Padilla, a senior majoring in mathematics, said: "I'm not going to be out in the field assassinating people. I don't have any qualms about it. We need national security and I would be assisting in national security."

James Darling, a University of Florida student, said that in spite of the recent publicity he retained a "lifelong dream" of working for the CIA. His biggest concern now over the revelations appeared to be less ethical than practical. "All this publicity has hurt the CIA, just like it hurt Lockheed," he said.

"Personally, I wouldn't take a job with Lockheed right now; I just don't think there's any security in it. And I imagine a lot of people might feel the same way about the CIA," he said.

Havana Protests To U.S. on Attack By Exiles' Vessel

HAVANA, April 11 (Reuters).—Cuba yesterday protested to the United States over an attack on two of its fishing boats by Cuban exiles.

The Foreign Ministry linked the attack, by a launch armed with machine guns, with recent warnings from Washington against further Cuban military intervention in Africa. Cuban troops helped establish the Marxist regime in Angola.

Cuban exile groups in Miami have claimed responsibility for the attack, carried out last Monday night in international waters between Cuba and Florida. A fisherman was reported killed.

Cuba's Communist party daily Granma said yesterday that a tugboat flying the U.S. flag sailed close to the fishing boats shortly before the attack.

The Cuban note was sent through the Czechoslovak Embassy in Washington. The State Department said it was under study and U.S. law enforcement officers had been asked to investigate the incident.

Cuba did not accuse the United States of staging the attack but demanded that the attackers be punished.

Paris Printers Halt Race

CHANTILLY, France, April 11 (Reuters).—Striking printers from the newspaper Parisien Libéré today held up the Paris-Roubaix one-day bicycle race near here, delaying competitors for one hour. The printers have been out of work for 13 months.

Associated Press.

VERMONT RITE—Worker empties a buck et of maple sap into an ox-drawn tank in the woods outside Plainfield. Sap from the trees will be boiled down into syrup.

Rickover Response to Firms' Cost Claims

Admiral Urges U.S. Seizure of Shipyards

By George C. Wilson

WASHINGTON, April 11 (WP).—Adm. Hyman Rickover has recommended that the U.S. government "should acquire" privately owned shipyards scheduled to get special help from the Pentagon, Defense Department sources said yesterday.

Adm. Rickover, in a memo dated April 7, said that the government should take over the private yards "as a condition" for settling in a hurry the claims they have made against the Navy for past work.

Adm. Rickover has long assailed private management of shipyards, which he has called inefficient. In the memo, he argued that shipbuilders should be held to the conditions of their contracts except under special circumstances.

The shipyard claims total $1.5 billion, mostly on nuclear powered ships that are built by the Electric Boat Division of General Dynamics Corp. in Groton, Conn., and by the Newport News (Va.) Shipbuilding and Drydock Co. Another yard involved is the Ingalls Division of Litton in Pascagoula, Miss.

The Rickover proposal drew immediate fire yesterday from Gordon Rule, the senior Navy civilian executive for overseeing shipbuilding contracts. Mr. Rule said when asked about the Rickover proposal:

"The United States isn't ready to change from a capitalistic, profit-motive system to nationalization.

"To me," Mr. Rule said, the Rickover take-over suggestion "confirms the complaints of Electric Boat and Newport News that Adm. Rickover is trying to run their plants."

Adm. Rickover discussed his idea last week with William Clements jr., deputy secretary of defense, during a review of shipbuilding problems that threaten to obstruct the Navy's plan to build a new fleet.

'Opposite Direction'

Defense Department officials said yesterday that taking over private shipyards is "absolutely the opposite direction" from that pursued by Pentagon executives.

Mr. Clements has notified Congress that he intends to resort to Public Law 804 to settle $1.5 billion in claims the yards have filed against the Navy. The law provides a shortcut for settling such claims. Congress has 60 days to disapprove of the procedure after the Pentagon has signified formally its intention to use it.

Sen. William Proxmire, D-Wis., already has assailed Mr. Clements's plan to settle the claim as a "handout" and "bail out" for shipyards that failed to deliver on time and within the agreed price.

Sen. Proxmire an Rep. Les Aspin, D-Wis., have pledged to introduce disapproval resolutions in the Senate and House to stop the Pentagon from using Public Law 804. But Mr. Rule, who often has been an ally of Sen. Proxmire in military contract disputes, said yesterday that Mr. Clements is right in using Public Law 804 because the Navy contracts for ships had proved unfair to the shipbuilders. Their claims should be settled, Mr. Rule said, and fair contracts must be written in the future.

Labor MP Faces Trial Over Election Expenses

BLYTH, England, April 11 (UPI).—John Ryman, 46, a Labor party member of the House of Commons, was ordered to face trial yesterday on charges of making a false declaration over election expenses.

His former election agent, Peter Mortakis, 52, was committed for trial with him. Mr. Ryman is an attorney.

Keel Is Laid For 1st U.S. Trident Sub

By Drew Middleton

NEW YORK, April 11 (NYT).—The keel was laid yesterday for the Ohio, the first of the giant ballistic-missile submarines of the Trident class that represent the first major improvement in the U.S. nuclear arsenal in five years.

Sen. Robert Taft jr., speaking at the ceremony at Groton, Conn., termed the Ohio an answer to "the challenge the Soviet Union has offered" and warned of Russia's "massive program of expansion of armaments" that "are largely offensive in nature."

Katharine Taft, wife of the Republican from Ohio, welded her initials onto the hull of the Ohio, which was built by the Electric Boat Division of the General Dynamics Corp. The Navy accepted its first submarine, the Holland, from the Electric Boat Co. 76 years ago yesterday.

The keel of a submarine is laid after the hull is assembled.

The Holland was 54 feet long. It would look like a dinghy beside the nuclear-powered Ohio. The Ohio and its 10 sister ships will be the largest submarines ever built—560 feet long with a surface displacement of 18,750 tons, or more than the Navy's biggest guided-missile cruiser.

Range of Missile

The submarines will carry 24 Trident-1 ballistic missiles, compared to 16 missiles on Polaris and Poseidon submarines. The new missile's range is 4,600 miles, roughly equal to that of the SSN-8 aboard the Soviet Delta-class boats. A follow-up missile, Trident-2, with a range of more than 7,000 miles, is under development. It is unlikely to be deployed in submarines until the middle of the next decade.

When the first Trident submarines are deployed operationally in 1978 or 1979, naval officers believe, the United States will have reestablished the undersea missile balance that has tipped in favor of the Soviet Union with the advent of the Delta class of 13 or more boats. British intelligence sources report that six new Soviet ballistic missile submarines will be deployed this year.

The Tridents, which will be based in Bangor, Wash., have a range 15 times that of the Polaris and Poseidon submarines.

The United States, the Soviet Union and European maritime powers have spent billions on underwater detection without so far as is known, developing a system that will locate nuclear-powered submarines operating at great depth and speed. The Ohio, the Navy says, will be quieter, faster and more efficient than the present missile submarines. Its speed is classified but that of the Poseidon submarines is believed to be more than 30 knots submerged.

Abu Dhabi Fire Kills 5

ABU DHABI, April 11 (Reuters).—At least five persons died and nine were injured when fire swept through the top floors of an eight-story hotel used by foreigners here today, officials reported.

Community Estimated at 20 Million

U.S. Agency Calls Attentio[n] To Hispanic-American Inf[...]

By Ernest Holsendolph

WASHINGTON, April 11 (NYT).—The Hispanic-American population of the United States, which increased sharply in the last two decades, is approaching 20 million, raising broad and complex implications for the U.S. society that planners and policymakers have scarcely begun to assess, according to the Community Relations Service.

The service, a Justice Department agency started in 1964, says that the ethnic group includes 11.2 million Hispanic-Americans accounted for by the Census Bureau last year, as well as almost all of more than 8 million "illegal" aliens estimated by the Immigration and Naturalization Service—the exact numbers may never be known.

Five years earlier, in 1970, the Census Bureau's estimate of the number of Hispanic-Americans was 10 million. The bureau plans a direct count in 1980.

The majority of the new residents are of Mexican origin, the service says; others are Puerto Ricans, Cubans and persons from Central and South America. The Census Bureau figures do not include residents of Puerto Rico itself.

The Hispanic-Americans are settling not only in such areas as New York City and Los Angeles, but a great tree-shaped sector, thick trunk in Texas and branches spreading ... the nation's center and along the Great Lakes.

In a speech Friday ... York City, Benjamin ... director of the service, ... the migration as a "bi... that resembles the move... Southern blacks to Nort... ban centers in the 19... 1940s, but with importan... ences.

Just as the huge migr... blacks was little-notic... preoccupied nation 40 y... in the Depression, the H... American migration toda... tutes "an evolving inter... lem with both nation... international consequen... gets little attention fr... thoughtful, concerned ... and enlightened leader... tors of our society," Mr. ... said.

'Golden Opportunity'

"The consequences of ... to monitor and sort out ... population phenomeno... have "unimagined imp... for the maintenance of ... der in our country," he ... [be] a golden opportun... to start planning, organi... devising the future ... things."

The official Census ... timates, Mr. Holman ... cate the following:

• While 60 per cent of ... ple of Spanish origin live ... five Southwestern states ... zona, California, Colorad... Mexico and Texas, New Y... has the largest conc... with estimates running ... million to 2.5 million.

• Among 80.8 per cen... native-born and foreign-b... panic-Americans combine... ish was the most comm... guage spoken, indicating ... study analysts that a ... number of communities ar... to become bilingual and bic... Underlining this devel... Mr. Holman said, are the ... ing number of businesses ... cities, including New Yo... display signs stating ... Spoken Here."

• Although some of ... migrants are professi... businessmen, including ... the Cuban refugees in Mi... in greater New York, ... to be poorer and less ... than the national averag...

Macapagal Vows Democracy Drive In Philippines

MANILA, April 11 (AP).—Former President Diosdado Macapagal, who recently asked the United States for asylum after criticizing the martial-law rule of President Ferdinand Marcos, said yesterday that he plans a "lawful and peaceful" campaign to return democracy to the Philippines.

"This is the venture I have embarked upon and in which I intend to utilize the lawful and peaceful means of the democracy I believe in and cannot depart from," Mr. Macapagal said in a letter.

He sought asylum April 2 at the home of U.S. Ambassador William Sullivan but was refused. He subsequently dropped from public sight and has refused to meet with reporters.

He said, on April 2, that he feared imminent arrest for his campaign to get Mr. Marcos to convene an interim national assembly to deal with the question of presidential succession and other matters.

But he said in his letter yesterday that the Philippine government has since assured him that there is no warrant for his arrest and he can leave the country at any time. Mr. Macapagal lost a bid for a second presidential term in a 1965 election won by Mr. Marcos.

Cyprus Warn[s] On Protests a[t] U.S. Embassy

NICOSIA, April 11 (AP).—Cyprus government warns it will deal sternly with an attempt to attack the U. ... bassy here during anti-U. ... onstrations scheduled tom...

The demonstrations we... nized to protest the recent... ment for the granting of ... lion in U.S. military aid ... key. The protest would ... those of last Tuesday w... U.S. Embassy was besie... three hours by a stone-t... mob that defied Cypri... and U.S. Marine guards.

In another developm... Greek Cypriots announ... will not replace their n... resentative to the Cypr... communal peace talks ... the Turkish Cypriots ... prepared to accept him.

"The Turkish-Cypriot ... no right to interfere in ... pointment of the person ... represent the other side ... talks. Consequently, the ... Cypriot side does not ... replace Tassos Papadopo... spokesman for Cyprus P... Archbishop Makarios said.

Japanese Shipping

TOKYO, April 11 ... Domestic shipping was ... yesterday as 20,000 harbo... ers throughout Japan ... strikes to win higher wa... pensions.

Florida City Passes Law Banning Children From Living in Areas

PEMBROKE PINES, Fla., April 11 (AP).—The City Council has passed a law banning families with children aged 14 or under from living in certain parts of town.

The law, approved last week over the city attorney's objections, applies to any area designated an adult community. Residents who rent or sell homes to families with children 14 or younger face jail terms of up to 90 days and $500 fines.

The situation is not unique. A Phoenix, Arizona, "retirement" suburb, called Youngtown, bars selling or renting property to families with children under 18.

Officials here said the Pembroke Pines law is aimed specifically at the Sunswept Homes subdivision, where younger families are moving into a neighborhood designed for adults only.

"The council is certainly not against children," Mayor William Armstrong said. "But this area is a special case."

Mayor Armstrong was the only person on the seven-member council to vote against the ordinance but he said he approves of the concept.

"I just voted against it because the attorney said it was unconstitutional," because it violates the equal protection clause of the Constitution, he said.

Councilman James Donlon said that the area, containing about 1,000 homes, was approved by city zoning officials about 10 years ago to include smaller than standard lots, "because the developer promised that restrictive-deed clauses would make it a permanent adult community."

City Attorney James Schweikert said the clause expired five years ago.

"So people with young children have been moving in and the others came screaming to the council, saying, 'You got to do something,'" he said.

Demand Is Growing in U.S.

Scientists Debate Controls Over Researc[h]

By Stuart Auerbach

WASHINGTON, April 11 (WP).—Is science too important to be left to the researchers, as war is sometimes considered too important to be left to the generals?

Prompted by a letter from two senators pointing to "a growing strain" between researchers and the public, a group of distinguished scientists (including two Nobel Prize-winners) and nonscientists argued for two days this month in an effort to devise ways to bring the public into scientific decision making.

"It is precipitous and premature to come up with any hard suggestions," concluded Dr. Willard Gaylin, a psychoanalyst and president of the Institute of Society, Ethics and the Life Sciences in Hastings, N.Y., who arranged the conference at Airlie House in Warrenton, Va.

"But the dialogue must be continued, focused and sharpened," he added.

The meeting reflects a growing feeling that scientists can no longer work in their ivory towers without considering the effect of their research on society.

It started with the atomic scientists in the 1940s but now has spread into the biomedical researchers, whose work both raises ethical questions about, for example, research on fetuses and genetic engineering and is blamed for increasing the cost of health care.

"The public has an enormous interest in these issues," said Sen. Edward Kennedy, D-Mass. He and Sen. Jacob Javits, R-N.Y., sparked the meeting as a result of hearings before the Senate Health subcommittee on the role of the public in scientific decision making.

"The most important and difficult task before us," Sen. Javits said, "is weighing the social, economic and ethical risks and benefits of introducing and diffusing new technologies—the fruits of biomedical research."

'Untrammeled Freedom'

For many scientists, the notion of public control of their work is hard to take. "Scientific inquiry," said philosopher Hans Jonas of the New School for Social Research in New York, "claims untrammeled freedom for ..."

Gerald Piel, publisher of ... tific American, was the ... est defender of the no... "a scientist can accept no ... ty but his own conscie... judgment."

Dr. Robert Sinsheimer, ... sor of biophysics at the Ca... Institute of Technology, ... tha "the right of free ... was hard won and has ... us well. The burden ... lies on those who want to ... it."

Nevertheless, he recogni... "the very success of scien... ended its pleasant isolatio...

Dr. James Watson, wh... the Nobel Prize for the di... of the structure of DNA ... ribonucleic acid), warne... "people have to be careful ... freeze us into a status q...

The other Nobel laurea... David Baltimore, said ... search still must be le... outside pressures.

But Peter Hutt, former ... for the Food and Drug A... istration, warned the ... that, if they fail to includ... public in their decisions, Co... will do it for them.

هكذا من الأهل

White Resistance Also a Factor

Change in S. Africa Slowed By Blacks' Alleged Abuses

By David B. Ottaway

[C]APE TOWN, April 11 (WP). ...e pace of change in South ...a's internal racial policies is ...g slowed by the abuse of some ...essions already granted to ...black and colored populations, ...p South African government ...ial said here.

...terior and Information Min... Connie Mulder said that ...ge inside South Africa would ...nue to take place at a ...onable pace." But he refused ...ive any timetable for doing ... with apartheid, the strict ...gation laws affecting the ... life of the country, and ...d not make any predictions ...ding what internal changes ...l be expected here over the ... year to 18 months to make ...h Africa more acceptable in...tionally.

...e minister said that the re...n of some persons among the ...illion blacks and more than ...llion coloreds (mixed white ...African blood) to the changes ...dy instituted is a key prob...

...ne factor keeping us back ...e abuse of concessions al...y made by certain individuals ...this] may hamper the pace ...e development," he said. But ...efused to cite any specific ...ples of alleged abuses or to ...ify who these "certain in...uals" were.

...servers here said that he ...t be referring to some in...ts in recently integrated ..."national" hotels and their ...where the presence of noisy ...ans had caused some ad... comment. But otherwise ...could think of no major mis...

... Mulder said that the basic ...l in his government's policy ...ding the future of the black ...lation was already determin...nd that ultimately there would be a number of independent states, "as free and sovereign as any other members of the United Nations."

He was referring to the independence of the Transkei, the homeland set aside for the Xhosa-speaking people of South Africa, this October and that scheduled for eight other black ethnic groups at some still undetermined date.

Mr. Mulder took exception to use of the word "apartheid" and said it had now been replaced in government circles by such terms as "separate freedoms" and "equal freedoms." Apartheid measures would be phased out altogether and were only part of an "interim period," he said.

Mr. Mulder is regarded as the second most powerful man in the government to Prime Minister John Vorster and as interior minister he plays a crucial role in determining and executing internal policy.

Foreign observers say that the issue of what aspects of South Africa's apartheid policy should and can be discarded to make this isolated country more acceptable to the outside world is now a burning one inside the ruling Nationalist party. With the verligte (liberal) and verkrampte (conservative) wings at odds.

Whether there is really much change under way inside South Africa is as highly debated here as abroad and there is conflicting evidence even regarding the scrapping of apartheid, with a step forward in one area often seemingly canceled by a step backward in another.

"The whites think there is enormous change taking place while the blacks think it is all window dressing," a Western diplomat remarked. "What is clear, is that for the blacks the pace of change is unacceptably slow."

In towns and cities across the country, selected hotels, theaters and libraries have been opened to all races and sports are slowly being integrated. But these remain small cracks in the structure of apartheid.

The "big" changes anticipated this year are the independence of the Transkei and possibly the release from prison or restriction of the well-known black nationalist leaders Nelson Mandela, Walter Sisulu and Robert Sebukwe as part of the celebrations.

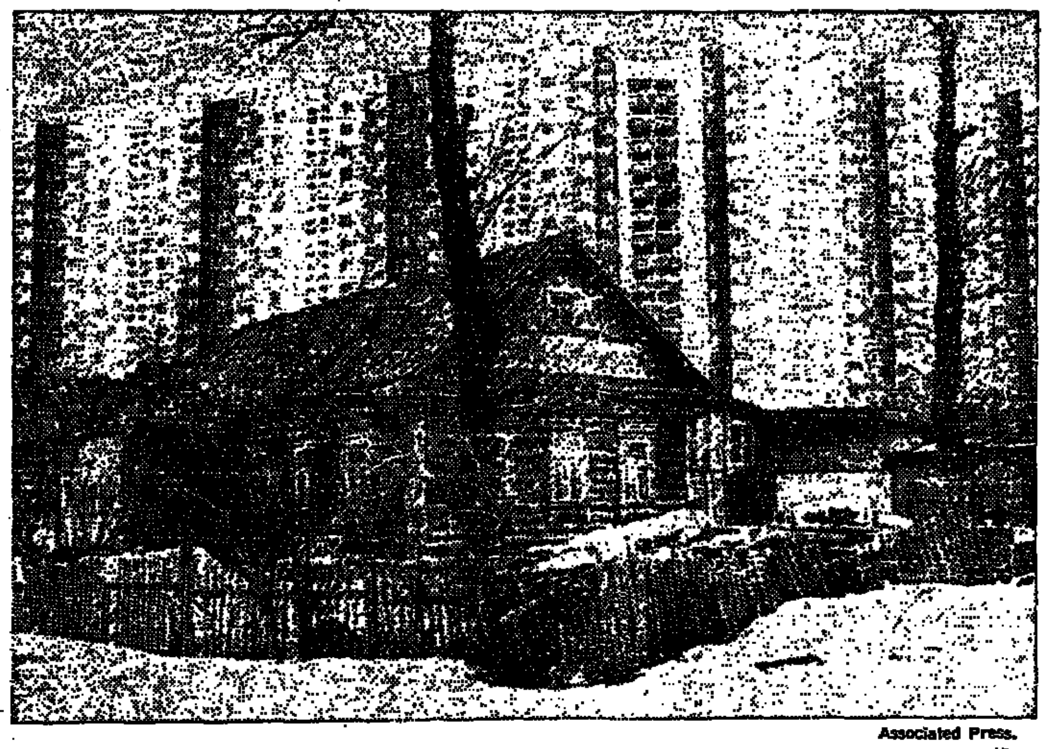
At the same time, there have been some startling refusals to accept even minor social changes. For example, the provincial Cape government recently overruled the vote of the town of East London to integrate its public library. And the Education Department has just ordered an end to concerts open to all races on the Witwatersrand University campus.

...lks Scheduled ...n Brezhnev Trip ...West Germany

[S]TUTTGART, April 11 (Reu...).—Soviet leader Leonid ...hnev may visit Bonn before ...ber, government spokesman ...s Boelling said today.

... a radio interview, he said ...ete discussions on the Com...st party chief's visit would ... shortly. The West German ...nment would have to find ...whether Mr. Brezhnev's time... permitted a trip to Bonn ...f he came it would probably ...fore October.

... Boelling said the proposed ...g of the visit had nothing ...o with the West German ...al elections to be held in ...ber, in which the left-liberal ...nment coalition faces a ...a challenge from the conser...e opposition.



Associated Press.

MOSCOW SCENE—One of several log houses still inhabited in an area near the southern edge of the Soviet capital contrasts with high-rise apartment buildings.

Over Russian Presence on Spitsbergen

Norway Wins 'War of Double Beds' in Arctic

From Wire Dispatches

OSLO, April 11.—Norway has won the so-called "war of the double beds" at Spitsbergen airport in the Arctic Circle involving six Soviet ground crewmen, four wives and a question of protocol.

The Civil Aviation Board said that the Soviet airline Aeroflot had agreed that their six ground crewmen on the Norwegian territory could not be accompanied by wives unless their complement was reduced accordingly.

The date decided upon by the board and Aeroflot for the enforcement of this new agreement is June 1.

Norway last year accepted the six to serve a monthly Aeroflot flight to Murmansk, about 600 miles southeast of Spitsbergen, in the Soviet Union.

Trouble Flares

But trouble flared in December when the wives of four were flown in with four double beds. Norway protested formally saying this violated a contract stipulating that crew accommodation was for single persons.

The dispute was seen here as a test of Norway's determination to assert its rights under the 1920 Paris agreement placing Spitsbergen under Norwegian sovereignty.

The Spitsbergen archipelago is a barren, forbidding place. Since the signing of the 40-nation treaty in 1920, it has been recognized as a part of Norway but the same treaty, however, gave all signatory nations equal rights to Spitsbergen's mineral resources—its coal, and, more recently, its oil.

Only the Norwegians and the Russians—each with a coal-mining community—have stayed on since the Great Depression forced out the Americans, the British and the Swedes.

Strategic Importance

Spitsbergen, guarding the Soviet Navy's channel between its base at Murmansk and the North Atlantic, also has strategic importance both for the Soviet Union and NATO.

Close to 1,000 Norwegians live and work at Longyearbyen, while the Russians have nearly 3,000 in their mining settlements at Barentsburg and Pyramiden.

Despite this, the Soviet Union mines less coal than Norway, a fact that has frequently been taken to mean that Soviet interest lies elsewhere than in the minerals and hence the suspicion aroused in Norway by the sudden and unexpected arrival of the four wives in December.

Russians Accuse U.S. of Violations

'Phased-Array' Radar Creates New Difficulties for SALT

WASHINGTON, April 11 (UPI).—Although alleged Soviet violations of the strategic arms limitation agreement have held the spotlight, government sources said there have been less publicized accusations from the Russians about four U.S. violations.

The sources said an area in which each nation has been accused of violations—establishment of "phased-array" radar systems—is now under discussion at the SALT-2 sessions in Geneva.

The sources said the Soviet Union has challenged a U.S. phased-array radar system in Alaska, the placement of covers over new Minuteman-3 silo lids, the existence of 180 Atlas silos and potential violation of rules about the confidentiality of the SALT talks through news reports about Soviet violations.

Surplus Silos

The sources said the United States responded that the Alaskan radar was not illegal under the treaty, that the covers over the new concreate silo lids were normal in the harsh Northwest, that the Atlas silos have been abandoned and sold as surplus and that reports of Soviet violations were denied by administration officials.

Informed sources said early reports showed that the present SALT-2 sessions have covered phased-array radars installed by both the United States and the Soviet Union.

Unlike the familiar 30-year-old rotating radar antenna, phased-array radar systems use a number of radar transmitters, one after another. Experts say the system is the only one which can track multiple missile warheads.

The sources reported the Russians complained last April that the United States had such radar on Shemya Island, Alaska, a few hundred miles from the Soviet Union, and that this was an ABM radar used outside of the approved test ranges.

U.S. representatives denied the accusation, the sources said, saying the United States had scrapped its ABM system and the Alaskan radar was part of the "national technical means of verification"—mutually approved spying—used to keep track of Russian activities.

Sadat Will Prolong Talks With Kreisky

VIENNA, April 11 (Reuters).—Egypt's President Anwar Sadat decided today to extend his private stay here in order to hold further talks with Austrian Chancellor Bruno Kreisky.

Mr. Sadat postponed his departure for Cairo from tomorrow to Tuesday to allow time for a private talk with Mr. Kreisky and to attend a meeting of senior Austrian and Egyptian ministers to discuss bilateral issues. Mr. Sadat, who arrived yesterday, had dinner at Mr. Kreisky's suburban villa last night.

Greece on Summer Time

ATHENS, April 11, (AP).—Greece went on summer time today, putting clocks one hour ahead. The measure will be in effect until Oct. 10.

Obituaries

Phil Ochs, 35, a New Left 'Troubadour'

[NE]W YORK, April 11 (NYT). ...l Ochs, 35, folk singer, ...rist and lyricist whose music ...ided some of the strongest ... of protest in the early 1960s ...the Vietnam war, committed ...le Friday morning in his ...'s home here, the family re...d.

...ill had been very depressed ... long time," a family friend ... "Mainly, the words weren't ...g to him anymore."

... Ochs had been living with ...ster, Sonny Tanzman, since ...nber, according to a family ...l. Mr. Ochs committed sui... by hanging.

... the time Mr. Ochs made his ...appearance in Carnegie Hall, ...ad gained a reputation as ...oubadour of the New Left." ...e voice is spare . . . guitar ...ng is rudimentary, and the ...dies of his songs are erratic ...ures of brilliance and medi...y," The New York Times re...d of his first major ap...nce.

'His Rebel Stance'

...t Mr. Ochs's appeal is in ...ebel stance, his iconoclastic ... his self-burlesque and his ...usly literate way with word... and philosophy," the Times ... said of the performer, ... 26.

... early songs—"Nobody Buys ...ers From the Flower Lady," ...s My Heart, I Hope to Live," ... Ballad of William Worthy," ...side of a Small Circle of ...ds" and "The Bells"—estab...d Mr. Ochs as a major lyricist ...bane song writing.

...n Baez and Bob Dylan, ...stars of folk music, both ... his songs.

... Ochs preferred to be called ...ical rather than a folk singer. ...e time he broke into profes...l playing in cabarets in ...nwich Village, he had a ...tory of more than 60 songs, ...ally all of which had a social ...h line or question.

... Ochs was born in El Paso, ...s. His father was a doctor ... moved the family to upstate ... York and then here. Mr. ...'s lyrics soon began to super... his reputation as a singer. ...me of his other songs in...e: "Changes," "Love Me, I'm ...beral," "I Declare the War ...ver," and "Talking Vietnam."

ROBERT E. THOMASSON.

Phil Ochs

Evie Ellis Ellington

[NE]W YORK, April 11 (AP).— ...Ellis Ellington, 64, widow of ...leader and composer Duke Ellington, died at New York Hospital Wednesday of cancer.

Mrs. Ellington, a dancer at the Cotton Club before she married Mr. Ellington in 1939, was buried in Woodlawn Cemetery in the Bronx next to her husband, who died in May, 1974.

Hermann B. Hagen

BERLIN, April 11 (UPI).—The former director of the Ibero-American Institute, Hermann B. Hagen, 87, died in West Berlin on Friday, his family said.

Mr. Hagen built up a library of Mexican works in the German university town of Marburg in the mid-1920s, which was later taken over by the Ibero-American Institute in Berlin.

Saneatsu Mushanokoji

TOKYO, April 11 (AP).—Saneatsu Mushanokoji, 90, a novelist whose humanist-oriented works gained popularity among young Japanese, died Friday of uremia at a Tokyo hospital, doctors said.

A recipient of the Order of Culture in 1951, Mr. Mushanokoji had been in a coma for several days.

Enrico Mainardi

MUNICH, April 11 (UPI).—Italian-born cellist Enrico Mainardi, 78, died here yesterday in a clinic after a brief illness, his family said today.

Mr. Mainardi, one of the world's most renowned cello players, was acclaimed by music lovers throughout the world. He was 13 when he began his career. Mr. Mainardi was living in Breitbrunn in Bavaria.

Mr. Mainardi also worked as a conductor and directed cello classes in Hamburg, Stockholm, Edinburgh, Helsinki, Bonn, Berlin and Taormina.

Alexander V. Georgiev

MOSCOW, April 11 (UPI).—Alexander V. Georgiev, 63, an agronomist and high Communist party official who was credited with making the Altai Kray region of western Siberia a rich grain-bearing area, is dead, Pravda said today.

Donald Byrne

STATE COLLEGE, Pa., April 11 (AP).—Donald Byrne, 45, a former U.S. Open chess champion and captain of the U.S. team for the 1966 chess Olympiad, died on Thursday.

Soviet Ships in Adriatic

SPLIT, Yugoslavia, April 11 (Reuters).—A cruiser, a destroyer and a submarine of the Soviet Navy are visiting this central Adriatic port, official sources said.

Episcopal Priest In U.S. Wins Plea

CLEVELAND, April 11 (AP).—An Episcopal Church appellate court has reversed the conviction of the Rev. Peter Beebe, who was found guilty of violating church laws by permitting women to serve as priests.

The appeals panel also ordered a new trial for Mr. Beebe. The ruling by the Fifth Province Court of Review was confirmed by several persons involved in the case.

Mr. Beebe was removed as pastor of Christ Church after his Oberlin, Ohio, congregation became divided over the issue of women priests. The decision overturned a verdict handed down last June by a five-judge church court.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

Page 6—Monday, April 12, 1976 *

On-Site Inspection

The Soviet Union has muted its public discussion of the ban on underground peaceful nuclear explosions of over 150 kilotons. There has also been only a mild reaction in the United States—in part because the explosive level is a high one—10 times that which destroyed Hiroshima—and in part because of the widespread skepticism about Soviet purposes, triggered by Angola and encouraged by campaign oratory.

That skepticism undoubtedly plays its part in the continued deadlock over the next step in the control of strategic weapons which has been rather carefully separated from the agreement on peaceful nuclear tests. It is easy, then, to play the latter down.

Yet there was one distinct forward movement in the Peaceful Nuclear Explosions (PNE) agreement. That is the provision for on-site inspection to determine whether the tests are indeed peaceful. When one recalls the history of attempts to meet the critical dangers posed by the launching of the atomic bomb, this should be regarded as a major step forward. That it took so long, and will do so little, immediately to meet those dangers should not loom larger now than the fact itself.

After the Soviet Union had vetoed U.S. attempts in the United Nations to bring about international control of nuclear energy, Moscow struck a simplistic chord which is now being echoed by Peking: "Ban the bomb." It was echoed in many quarters and won widespread circulation in popular demonstrations. That it really meant "you ban your bomb and trust us to do the same" was largely overlooked, and American insistence on some method of guaranteeing the ban, by mutual inspection, was taken as confirming the Soviet charge that the United States was guilty of both launching nuclear terror in the world and keeping its dark shadow intact.

During these fruitless debates, techniques for determining from a distance the size and location of nuclear tests, seismographically and chemically, were developed. So the first agreement between the two major nuclear powers for a ban on atmospheric tests—which had environmental effects that concerned the globe—could be reached without provision for on-site inspection. But underground testing has certain qualities, including the possibility that it can be used for peaceful purposes, which call for closer examination. The Indian nuclear explosion is an example of the ambiguity that can cloak a secret underground test. Hence on-site inspection is included in the Soviet-American arrangement.

To a degree, technology has diminished the earlier significance of allowing inspectors from one country to be in the neighborhood, and have access to information, about underground nuclear explosions. But only to a degree. If nothing else, the present agreement reinforces the collaboration in space exploration that the Soviet Union and the United States have begun. Areas that were once wrapped in the deepest secrecy are being opened, and that secrecy was a source of fear and espionage that embittered relations between the two superpowers.

The Bonn Coalition

At a time when Helmut Schmidt's prestige abroad may be at the highest point of his two years as West Germany's Chancellor, little seems to be going right on the home front for his coalition of Social and Free Democrats in this election year. The substantial losses sustained by both partners in state legislative elections in Baden-Württemberg last week are only the latest in a series of setbacks for Schmidt's government.

The governing tandem has now lost ground in 10 of the 11 state elections held since it won its unexpectedly decisive victory under Willy Brandt's leadership in the federal election of 1972. It is not unusual for a Bonn government to suffer losses in state elections during the four-year life of a Bundestag; but Schmidt's party cannot dismiss the impressive gains of the opposition Christian Democratic Union in many big cities, traditionally strongholds for the Social Democrats.

It is clear that voters are punishing the governing parties for the highest unemployment and inflation since West Germany's postwar recovery, though the rates are very modest compared with those in other industrial countries. Voters may also be alienated by the frequent feuds, especially at state levels, between the Social Democrats and their much smaller partner.

The Baden-Württemberg results may tempt some Free Democrats to ponder breaking with the Social Democrats and reviving their old alliance with the Conservative Christian Democratic Union. The party's national leadership, however, seems solidly committed to the coalition.

West Germany's economy is now showing signs of recovery, with consumer spending up, unemployment dropping and wage settlements holding steady around 5 per cent—all of which suggests that Schmidt and his coalition may yet bounce back in time for the national elections to the Bundestag this October.

THE NEW YORK TIMES.

Israel Aid Scrap in U.S.

The quarrel between Congress and the administration over the amount of aid for Israel this year is not a dispute over how much would be "enough" to meet Israel's needs; it is, rather, over the question of how much Israel was told to expect just a few weeks ago, and why President Ford then suddenly changed his mind.

Israel's needs can be defined in any number of ways, and honest men will have honest disagreements over whether those needs would be adequately met by the administration's proposal for $1.8 billion in aid in the next fiscal year. Israel's supporters in Congress have been pressing to increase that figure by $550 million, bringing it more in line with what the Israeli government had requested

When the subject was discussed during Prime Minister Rabin's Washington visit in January, Secretary of State Kissinger specifically assured key legislators that the administration, while not requesting the additional aid, would not oppose a congressional initiative to increase the total. Mr. Rabin was reportedly given the same understanding, and Jerusalem's economic planning proceeded accordingly upon his return home.

It was with astonishment last week, therefore, that congressional leaders heard President Ford threaten to veto any measure that provided for the higher aid figure, a decision apparently reached only on the advice of the Office of Management and Budget. Secretary Kissinger was obviously overruled on the matter; there is even evidence that Mr. Ford scarcely even listened to the views of the secretary of state in reversing his administration's earlier signals.

For the long run, The New York Times has repeatedly argued that Israeli leaders should not delude themselves into counting upon the present high levels of American aid year after year. But what is involved now is an imputation of bad faith between the United States and Israeli governments. No good can come from letting such a dispute on a peripheral issue fester and poison working relationships when much more crucial diplomatic disagreements will have to be considered in the months to come. At the very least, the administration should acquiesce in congressional offers to strike a compromise figure.

THE NEW YORK TIMES.

International Opinion

The Moslem World

The international Islamic conference ... in London is an event without any exact precedent. In Western Europe the existence of a European Convention, Court and Commission of Human Rights has not eradicated abuses [of human rights], but has helped to make them rarer. Some Moslems have suggested the creation of a comparable machinery for the Moslem world, and it would be an excellent thing if the present conference were to take that suggestion up. Islam after all is a far stronger bond between people of different nationalities than the pale agnostic humanism of modern Europe. It is a moral force of great potential, which should be harnessed for the defense of the individual citizen against the anomalous product of two-acting cultures, the "Moslem" nation-state.

—From the Times (London).

In the International Edition

Seventy-Five Years Ago

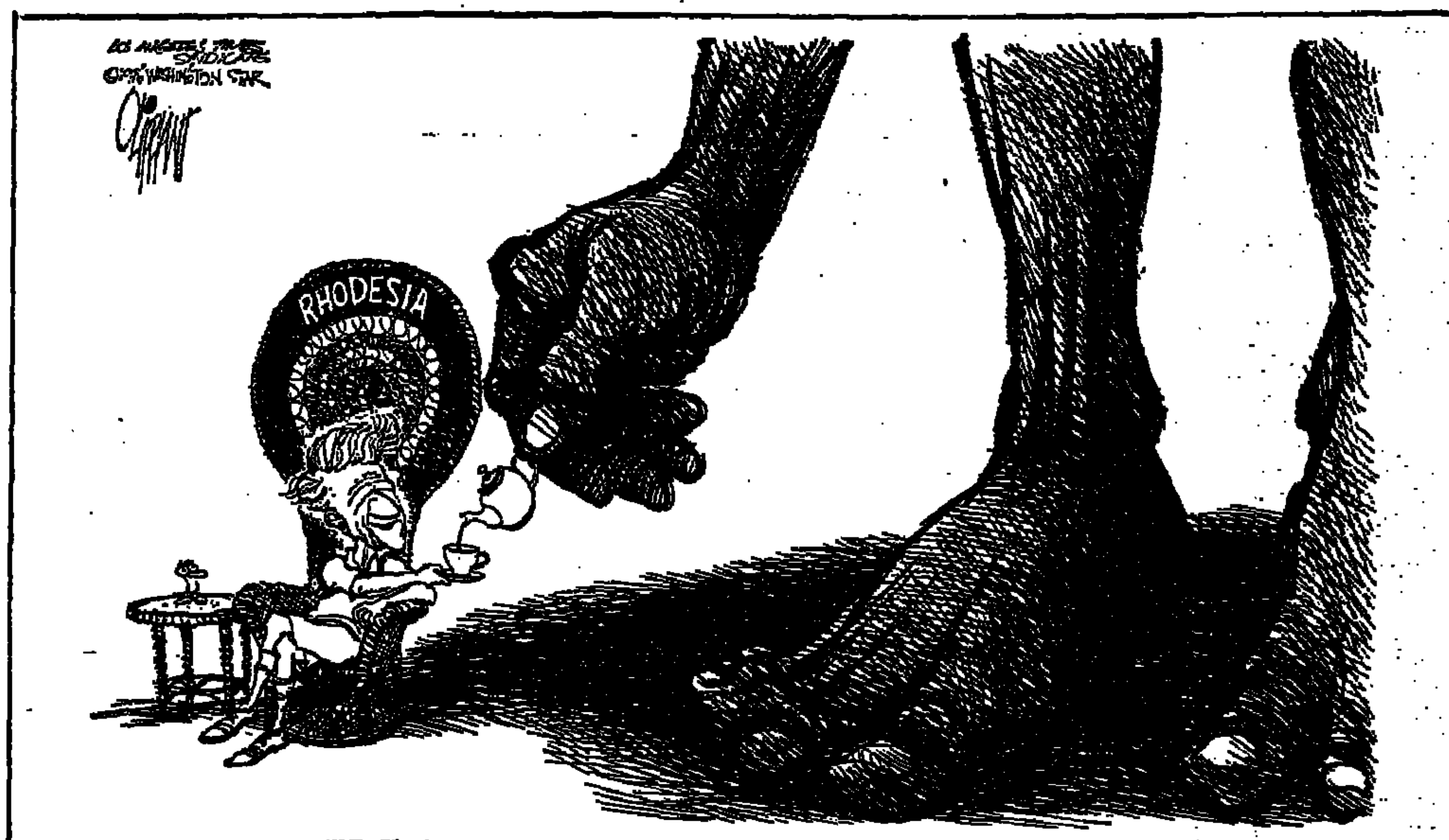
April 12, 1901

VIENNA—At the Railway Officials' Club some interesting experiments were made today with the telephonograph invented by Dr. Roeder. The apparatus reproduces the human voice in loud, clear tones, and may be used to call out the names of railway stations when trains stop or to call out the names of the stations the train will stop at, before it pulls out of the station.

Fifty Years Ago

April 12, 1926

YOUNGSTOWN, Ohio.—"Murder is the safest of all crimes to commit," according to Mr. P.L. Strait, executive secretary of the Big Brothers here. "In 10 years there have been more than 100,000 homicides in the U.S.," Mr. Strait said in defense of his claim. "In 1923 there were 10,000 and 11,000 in 1924, and less than 1 per cent of the 1924 crop paid the extreme penalty."



'Well, Nkomo, How Goes the Revolution? Ha Ha...'

How Not to Stop Jimmy Carter

By James Reston

HILLSBOROUGH, N.C.—Ever since Jimmy Carter took the lead in the Democratic presidential scramble, his opponents have been trying to prove he was all shell and no peanut. If he talks in generalities, he is accused of being "fuzzy," and if he talks in specifics, he's accused of being dizzy.

This is the normal fate of the frontrunner, especially if he's a newcomer and an outsider, and fair enough, too. The closer he gets to the nomination, the more we need to know about his character, philosophy and policies, but it seems to this reporter that he's now getting a bum rap on the "ethnic purity" issue.

By an unfortunate choice of words, he seemed at first to be defending the principle and practice of segregated housing communities, and refusing to use federal power to interfere with the "purity" of all-white, all-Irish or Polish or Italian districts, but he has now explained time and time again that this was not what he meant and he has apologized for the blunder.

Record Clear

His record in support of open housing—the right of anybody of any race, religion, or nationality to move into any neighborhood he chooses—is clear for everybody to see. "I don't think there are ethnically pure neighborhoods in this country," he said, "and it was a mistake to use that word."

Still, Carter did not support those who want the federal government to force the break-up of homogenous communities. "I don't think," he insisted, "that government ought deliberately to break down ethnically oriented communities by injecting into them a member of another race. It seems to me this is contrary to the best interests of the community. It creates disharmony, it creates hatred, it creates an attitude of unwarranted government intrusion."

This still leaves room for honest disagreement and debate, for there are many honest and experienced people in this country who believe that the housing patterns of the nation will become more and more segregated into checkerboard communities unless the federal government does use its powers aggressively to create and even to compel integrated communities.

Carter's opponents, however, are not concentrating on this quite legitimate issue, but are suggesting that Carter is a segregationist, after all. Even Mo Udall, who usually plays the political game on the level, has implied that Carter purposely raised this issue just when George Wallace was fading from the race in order to pick up the Wallace vote.

Rep. Andrew Young of Georgia, who is Carter's foremost advocate in the black communities of the North and South, was quick to condemn Carter's use of the word "purity" because it suggested the right of total exclusion of outsiders; but he was also first to warn of the dangerous issue it was raising.

"A lot of people who said, 'You just can't trust a Southerner,'" Young observed, "are going to say, 'See, I told you so.'"

Carter's reply to this is that he would rather withdraw from the race than introduce racial controversy into the debate, but the stop-Carter movement is gaining strength and losing altitude, particularly in view of the critical Pennsylvania primary election late this month.

If Carter wins in Pennsylvania against the opposition of powerful labor union, and pro-Jackson, pro-Humphrey and pro-Udall forces, it will be extremely hard to halt his momentum and deny him the nomination. But if they do beat him badly in Pennsylvania by backing Jackson and Udall, the chances are that Humphrey will get the nomination.

The question, however, is how they beat Carter. If they revive the "Southern issue," just when the nation was finally getting rid of it and giving a Southern candidate an honest shot at the presidency, the Democrats will not regain the South but lose it, and probably the election as well.

If they beat him on the fair issue of the use of federal power to compel integration, that is one thing, but if they beat him on the slip of the tongue and on phony charges that his record refutes, they will not only stop Carter but Humphrey as well.

Let's Hear It

Incidentally, it would be interesting to hear from Humphrey himself on this, and Jackson and Udall as well. Humphrey has lately been playing the role of the elder statesman, supporting Kissinger more consistently than many leaders of Kissinger's own team. But he has also fought all his political life to get rid of the very sort of regional and racial bitterness this new controversy is raising. He should not, it seems here, want to be the beneficiary of a cheap shot at the man who has fairly won most of the Democratic primary elections.

Carter can perhaps help himself by spelling out in detail the policies he would follow on housing and the federal government's role on the integration question, but this will have to be done quickly, for strong forces that worry about his independence are determined to keep the ethnic purity issue alive, and particularly to use it to break his momentum in this month's important and perhaps decisive primary.

So far, this has been a fairly clean campaign, but it has taken an accidental and nasty turn, and it is in the interest of the Democratic party and the nation that the present issue be debated on the basis of the facts. It would be ironic if "purity" were turned into a dirty word.

NATO and the Leaning Tower

By C. L. Sulzberger

BONN.—NATO's biggest political problem—still more potential than actual—is what to do about allies who give Cabinet posts to Communists. The name of the game is Italy. Nothing has happened yet but how long can the leaning tower tilt leftward?

There have been loud, sharp admonitions, principally from the United States, that no partner can stay in the alliance if it has Communist ministers. This isn't true. Iceland, whose geographic position bottles up Russia's western fleet, and Portugal, each violated this rule and survived.

Washington sometimes shoots from the hip—as it did when warning that De Gaulle's withdrawal from the NATO organization (not the Atlantic Treaty) would wreck the coalition. Most unsolicited comments on Italy have proven counterproductive. Meanwhile, designated alliance experts discreetly study all aspects of the matter.

Schmidt View

One finds a reasonable, levelheaded approach to the question here. Chancellor Helmut Schmidt, a hard-nosed Social Democrat, recalls: "I advised against throwing Portugal out of the alliance when it had Communist ministers in its government.

"I told other NATO ministers not everything had been lost and that we should assist those Portuguese who are with us. Naturally I am not unimpressed by the Italian problem. But I am against premature decisions. First let's come to the bridge and then see how it needs to be crossed."

Former Chancellor Willy Brandt is similarly unruffled. "Early last year," he says, "the feeling was evident in the United States that Portugal was lost, that there were some Communists in the government already and they were gaining importance.

"That didn't happen. Communist influence in the media and the unions has been reduced. They still have one Communist minister in the Cabinet because the military feels he is needed until this month's elections. But NATO matters weren't discussed at regular Portuguese Cabinet meetings, only in special, limited gatherings.

"Had we set out a doctrine excluding allies with Communist ministers that would have been no good. It was necessary to adopt a flexible position on Portugal. The United States acceded. After the coming elections there will be no more Communists in Lisbon's Cabinet.

"Italy presents a more complicated problem. The U.S. strongly opposes Communists joining Rome's government and I have sympathy for Washington's position. But you mustn't forget Russia doesn't want that either. Moscow suspects Italian Communists.

"The existing Christian Democratic Prime Minister consults Communists about many problems—mainly internal and economic. My guess is there is no imminent chance of a Cabinet including them.

"But public statements by foreigners cannot help. National pride enters into the picture and such statements risk being counterproductive. My feeling is that at least part of the Italian party will eventually move away from what we call 'Communism'—but that might take a decade.

"Italy is much larger than Portugal but I like to recall that when Lisbon did have Communist ministers it relinquished active membership in NATO's nuclear planning group. My experience is that there are almost never entirely hopeless situations if they are not accepted as entirely hopeless.

"Look at Iceland. If Keflavik airbase were no longer available to NATO, all base accords with Norway might have to be reexamined. But despite a period of Icelandic Communist ministers, it stayed in NATO. Now there are no Communists."

And Moscow?

Schmidt's and Brandt's views on this complicated issue are similar and share a calm openmindedness, the only way to contemplate contingencies that may never be faced. And one shouldn't forget that Moscow dislikes the independent attitude of Italy's Communist leaders already; how would it react to them as formal NATO supporters?

Enrico Berlinguer, the party boss, opposes a change in the present balance-of-power system, especially until Yugoslavia's fate is established after Tito's death. It is possible Italy's Communists will be satisfied for some time to play an offstage role, sharing administrative burdens as associate members in a kind of governing council, which is more or less today's situation.

And even if they gain a formal Cabinet status some day, they could surely understand exclusion from vital ministerial posts like defense or foreign affairs while any Prime Minister would acknowledge the impossibility of continuing in the alliance's nuclear planning group.

Could such restriction be more damaging than the initial awkwardness caused by France's withdrawal from NATO's organization? Everyone now accepts Paris as a good ally, even if it remains the odd man out.

Letters

Umbrella

As an American spending a year in Europe, sensitive to the political movements and political sentiments of its citizens, the coming to power of leftist governments in Western Europe seems inevitable. Socialism and Communism are gaining adherents here because the people are engaged in the quest for economic, as well as political, liberties. The gross mistake of American foreign policy is its immediate assumption that the economic system of socialism, and political system of totalitarianism are inseparable, as in the Soviet Union. The political rights of freedom of press, speech, and assembly are cherished here as in the United States, and the determination not to relinquish them has been reiterated by the French and Italian Communists, but these liberties are considered of little use when unaccompanied by the right to eat, work, and raise one's children in conditions of decency and dignity frequently denied in a capitalist society.

Without the support of the United States and NATO, the difficult period of transition from a capitalist to socialist economy could place these governments in vulnerable positions that could result in the very Soviet-style governments that the United States fears. The common accusation against Americans here is that our government is not out to defend liberty but to protect money-making interests. This is difficult to refute given American support of Chile, South Korea and other repressive governments throughout the world. If American foreign policy is to be taken seriously as primarily supporting liberty and not profits, Western Europe provides an ideal proving ground, and an opportunity to check growing Soviet power, especially in the event of attempts by East European satellites to imitate the Westerners in striving for both the economic liberty of socialism, and political liberty of democracy.

MARK OLMSTED.
Montpellier, France.

Durians

The latest installment in Waverley Root's scholarly and fascinating series (IHT, April 1) melted us in moments of wistful yearning. After first becoming hooked on durians in Borneo perhaps 20 years ago, their lure has been so compelling that we've devoted scores of unscheduled hours and miles or kilometers in tracking them down in Malaysia, Sri Lanka (then Ceylon), Burma, the Celebes, and elsewhere.

It is a calumny when Mr. Root's "ordinarily reliable English reference book" likens the odor of the husk of this noble fruit to sewage. Nonsense! Indeed it does stink to the high heavens, but so does the second observer's "robust over-ripe Roquefort," which also occupies a category of one-and-only olfactory offensiveness. Those who drink and wash their hands in coffee after their banquets may quickly rejoin the human race without ostracism.

Further, in its delicious flesh we find no kinship to any cheese we have ever encountered. The much more common description of this custard is "Jungle Ice Cream"—cool, soothing "ice cream" with an incongruously sweet and succulent trace of garlic which creates its fabulous zing.

As a curious footnote which is fact, not legend, its pyramidal spines are so formidably constructed that no animals—not even elephants—will ever willingly sleep under a durian tree. They won't risk being brained!

NANCY and
TEMPLE FIELDING.
Formentor, Spain.

100th Time No Less True Than the Fir[illegible]

By William Buckley Jr.

NEW YORK.—Ronald Reagan's challenge to Mr. Ford in his recent nationwide television broadcast is here and there criticized (for instance, by White House spokesmen) as being "completely familiar; nothing new." That's true, of course, even as it is true that somebody who complains for the 100th time that termites are eating into the foundations of his house has not said something new in 100 public declarations, a commentary that has nothing to do with the progress of the termites—who are clearly at work in Washington, which is their headquarters, undermining the lovely mansion bequeathed to us by the Founding Fathers.

Mr. Reagan's domestic points are difficult to challenge. In fact Mr. Ford has made peace with the statists—perhaps he has no alternative. It is however not a commentary on Mr. Reagan's capacity for repetition, but on the public's capacity for acclimating itself to statist presumption, that Reagan needs to remind us that a) inflation continues; b) the unbalanced budget continues; c) the bureaucracy swells; d) the little engineers in Washington continue to dictate to us.

Too Kind

In respect of foreign policy, Gov. Reagan is correct in remarking the great reversals of the past few years. He is, however, far too kind to Congress in his distribution of the blame.

It is a historical truism that the name of the principal figure in any historical period is given to the events of that period, never mind the force or forces primarily responsible for the significant historical developments.

Henry Kissinger is conveniently accepted as the principal sponsor of the defeats we have suffered at the hands of the Communists. Mr. Kissinger has never denied that the greatest risk in the rhetoric of détente is the undermining of the popular will to resist. He has, however, assumed that the popular will to survive would be sufficient to instruct Congress in grave matters involving the national security. When Gov. Reagan assigns the blame to President Ford and Henry Kissinger for the loss of Angola, analysis is called for.

Isn't it true that Kissinger, and Ford, warned of the necessity to resist the Soviet Union and Cuba in Angola? Isn't it also true that it was Kissinger and Ford who asked for massive aid to South Vietnam when the hordes came thundering down from the north? Isn't it true that Ford and Kissinger asked repeatedly for protection for the Central Intelligence Agency against such publicity as would neutralize its effectiveness?

It Was Congress

It was Congress that said no on Vietnam. Congress that said no on Angola. Congress that has substantially neutralized the CIA. Mr. Reagan would be on sounder ground if he criticized Mr. Ford for failing to rouse the public to instruct the Congress on the necessity to resist. Mr. Ford, addressing Congress on the eve of the loss of South Vietnam, in a speech which will live in the annals of futility, roused neither the Congress, nor the American people, nor, for that matter, the grasshoppers. When Ford said that his administration would not permit the Soviet Union to "fish in troubled waters," what he meant was that he hoped the Soviet Union would not fish in troubled waters, but of course that is what the Soviet Union does best, and continues to do; and does so in considerable part because Congress does not act when action might help—in Angola, for instance.

When Mr. Kissinger spent a thousand hours with representatives and senators in executive session, describing the tactical, strategic, psychological consequences of a loss in Angola, the American public was unaware of the pressure being put on Congress. But when Congress was asked to vote the necessary funds, Congress said: No. That is Reagan's issue. Why did Congress say no?

Was it because Congress, as representative of the American people, believes that the people do not understand the implications of the Angolan challenge? Or that they do not care? If so, then the fault is at least partly that of a President who is ineffective in causing them to understand. And if the President and his secretary of state cannot bring the people to understand why it is necessary to exert ourselves in order to survive, then Reagan must labor to make us understand.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

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International Herald Tribune, S.A. au capital de 3.330.000 F. R.C. Paris No. 73 B 2112. 21 Rue de Berri, 75380 Paris Cedex 08. Tel.: 225-28-90. Telex: 280.950 Herald, Paris. Cables: Herald, Paris.
Le Directeur de la publication: Walter N. Thayer.

Commission Paritaire No 34.231

هكذا من الأهل

A Special Report

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, MONDAY, APRIL 12, 1976

A FOCUS ON GREAT BRITAIN-1976

...oom, Doom Forecast ...y Different Theorists

By Peter A. Jay

...there are two alter- ...perceptions of the ...prospects of Britain— ...its industry and econ- ...its whole system of ...onomy. They may be ...ditional optimism and ...pessimism.

...is that all will be well ...ears, provided that the ...entional policies con- ...followed. The second is that a real catastrophe, involving political as well as economic upheaval, is built into the existing order, unless conceivably it is forestalled by policies and actions well outside the bounds of the conventional armory of economic management in a mixed economy.

The first is associated with Denis Healey, Chancellor of the Exchequer, and with retired Prime Minister Harold Wilson. It is also shared by those monetarist economists who discount the monopoly bargaining power of trade unions and by those Keynesian economists who believe in the potency of exchange-rate adjustments combined with income policies.

The Outer Wings

The second view tends to be found at either extremes of the political spectrum, toward the outer wings of the main political parties. It is developed by those monetarist economists who believe that collective bargaining by organized labor can, does and always will tend to price workers out of their jobs. It is also supported by those Keynesians who, being skeptical of income policies, believe that labor can and will always seek a level of real wages which happens in Britain to be incompatible with trade balance at full employment under conditions of free trade.

Only the last-mentioned school thinks that Britain's position is unique, though most would agree that the problems from which all the major industrialized democracies are suffering are more acute in Britain than in most other member countries of the Organization for Economic Cooperation and Development. Whether the sickness is malignant or not is a matter of hot dispute.

Take first the view of the conditional optimists. According to them Britain is suffering from nothing worse than the uncomfortable aftermath of an exceptionally severe bout of inflation, much of the blame for which can be laid at the door of the world outside. They cite the excessive world trade boom that was built up in 1973 in exaggerated response to the 1970-71 recession. They cite too the "dastardly" actions of the Organization of Petroleum Exporting Countries in quadrupling oil prices at the end of 1973.

Monetary Expansion

These external influences were admittedly aggravated and even reinforced by the effects of the excessive monetary expansion under the previous Conservative government led by Edward Heath (which doubled Britain's money supply in 3 1/2 years). But they were bound anyway to cause a recession while pricc stability was being restored.

This was not evidence of any deep-seated fault, contradiction

(Continued on Page 12)

New Nationalizations

...bor Party's Seizing ...Economic Command

By Peter Paterson

...(IHT).—"Sometime in ...50s, the British Labor ...long in love with a ...s seduced by a phrase ...ed suddenly to give ...new life and new ...It has echoed ever ...n the corridors of ...ebate, and today it so ...potency that everyone ...s himself a Socialist, ...r hue, is dedicated to ...ll." The speaker was ...neurin Bevan, a char- ...elsh orator and So- ...oretician, and his en- ...rds were that the aim ...ty must be "the con- ...e commanding heights ...nomy."

...ase was repeated dur- ...rce struggle in 1959, ...fore Mr. Bevan's death, ...e "revisionists" in the ...l by Hugh Gaitskell ...deceased Labor hero— ...more traditionalist op- ...ho identified with Mr. ...he crux of the argu- ...e wake of a disastrous ...efeat, was whether the ...ld retain Clause IV of ...tion, the scrap of holy ...has since 1918 dedicat- ...he public ownership of ...of production, distri- ...exchange." Mr. Bev- ...nd Clause IV remains ...stitution to this day.

...hts Captured

...ty, the commanding ...d already by that time ...n captured. The 1945- ...overnments of Clement ...ationalized electricity ...e gas utility, the coal ...he railroads and the ...combined) major air- ...d by establishing the ...lealth Service, the com- ...spitals were centraliz- ...e hands and most of ...s became contractors to ...nment system. (Ironi- ...t freedom the doctors ...was the result of a ...crimonious negotiation ...he medical profession ...Bevan, who was Mr. ...inister of health.)

...portant to realize that ...IV battle was not for ...nationalization, but be- ...se to whom it was an ...faith and those who, ...advocating its exten- ...ted somehow to allot ...nership a less central ...e face of considerable ...hostility. Innumerable ...lls over the years have ...ted conclusively that ...electorate dislikes na- ...m. Nevertheless, the ...y has stuck to its guns ...r governments have ...ed in spite of their ...to a generally un- ...olicy.

...lowing something of a ...resent Labor adminis- ...pushing through an un- ...lic House of Commons ...r installments of state ...A large part of the ...industry, plus ship- ...nd ship repair, will be ...ed before the year is

...r stays in power, the ...ports and docks—most ...are already under some ...municipal or state con- ...become completely pub- ...ed next year, to be run ...onventional lines estab- ...the public sector over ...30 years, with a politi- ...ountable chairman and ...d centralized executive

The pharmaceutical industry, with its interlocking importance to the health service, has also been firmly scheduled for a state take-over.

Private Hands

On the wider shores of Labor policy-making, the prospect of taking over some of the large banks and insurance companies is already being mentioned as a task worthy of the next Labor government, while the militant Young Socialists have drawn up a "shopping list" for nationalization which would leave little of British business in private hands.

In spite of these developments and prospects, the nationalization debate has lately experienced a sharp change of direction. There is increasing recognition from the ranks of Labor, as well as from the Conservatives, that the traditional forms of state control of industry have proved a disappointment. It has not been possible, in spite of the "arms-length" relationship that the politicians originally envisaged, for governments to resist the temptation to manipulate the public sector industries in the interests of political expediency. They tend also to be monopolies with all the shortcomings traditionally associated with monopoly, in particular, a degree of arrogance toward the consumer.

They have not proved to be the test-bed for a new era in labor relations. Working for a publicly-owned industry has not produced a new kind of worker or a new attitude towards work, and the strike record of the vari-

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Keystone.

Prime Minister James Callaghan

No Panacea, But...

A Harvest of 6 Benefits In North Sea Oil Fields

By Andrew Hargrave

GLASGOW (IHT).—While North Sea oil by itself is no longer regarded as a panacea for Britain's ills—a change that is spelt out in the recent government statement on public-expenditure cuts— its impact on the nation's future will be significant on several counts.

It will, first, make Britain less dependent on imported energy and reduce its vulnerability to international crises such as the Middle East war.

Second, oil will help to ease Britain's chronic balance-of-payments difficulties, which were accentuated by the steep rise in the price of oil and oil-product imports and consequent mounting foreign debts.

Third, it should enhance Britain's status in the European Economic Community both as a significant contributor to its energy requirements and as an economically viable partner.

Fourth, the oil revenues are a significant new source of revenue, while the work associated with oil and gas exploration, production, processing and transport has become a major new source of employment, particularly where most needed, in hitherto economically depressed areas of Scotland and northeast England.

Fifth, oil exploration and production in the deep and hazardous waters of the North Sea have introduced new skills and development technologies which may provide major export opportunities in other areas of offshore activity, including the Gulfs of Mexico and Alaska, the U.S. Pacific Coast and the Gulfs of Persia and Guinea.

Sixth, the availability of domestic oil and gas resources introduces a new flexibility into long-term energy planning and therefore improves the viability of the United Kingdom's economy as a whole.

All these points and others, including the more controversial aspects of the "oil bonanza," will

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New Political Interests Herald Era of Change

By Peter Paterson

LONDON (IHT).—Gibbon, in one of his splendid footnotes, observed that officers of the police and the revenue easily adapt themselves to any form of government. The same is true of politicians, as Labor MPs shrug off the habits and thought processes of the Harold Wilson era and prepare to adapt themselves to the rule of James Callaghan, whose style and disposition are quite different from his former chief's. Ironically, Mr. Callaghan, in his time, has been a tax official and parliamentary adviser to the police.

But while the gentlemanly contest for the Labor leadership has in recent weeks dominated British politics, the result of this stately minuet of an election will make little difference to the underlying currents and cross-currents of a political system which is now going through a period of intense reappraisal and self-examination.

The scheme of things is changing, sometimes deliberately as Parliament tries to steer and to manage powerful new forces and interests, and sometimes involuntarily. By the mid-1980s Britain may be looking back to Harold Wilson as the last Prime Minister of the *ancien regime*, astonished, perhaps, at our own complacency and blindness, and maybe with a little regret for settled times and predictable politics.

Nationalism

Some of the pending changes can already be discerned. The rise of Scottish and Welsh nationalism is in process of badly distorting the two-party system, and there may be a long period of minority government with fringe parties holding the balance of power to hobble and restrict the programs of Conservative or Labor administrations. It could be that, in spite of their detestation of coalition, either of the big parties could be forced to dilute their Cabinets to include minor party representatives in order to safeguard the more important parts of their policies. Britain may be entering a time of bargaining-politics of smoke-filled rooms and cabals and behind-the-scenes deals.

That Harold Wilson managed to hold his government together so adroitly in spite of his party's hairline majority of one in the House of Commons owes everything to his political skill. But even Mr. Wilson floundered between March and October 1974 when his was a minority government.

The opposition parties then managed to water down some of his industrial relations legislation, and no doubt applied a brake to many Labor ambitions. If minority governments become the usual condition—and that is inevitable if the Scottish Nationalists, who have already torn the Conservative party in Scotland to shreds, make further advances against Labor—politicians are going to have to acquire new skills and techniques.

The prospect is already terrifying the Labor party in Scotland. From outright opposition to any devolution of powers to Scotland, they have now moved to a point where they are insisting that the government concedes more to

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A Top-Priority Problem

Granting of Autonomy Is Goal of Scots, Welsh

By Andrew Hargrave

GLASGOW (IHT).—The foreign observer may be justifiably puzzled at discovering devolution among the top priorities of British political debate. How, he may ask, is it that at a time of soaring inflation, high unemployment, rising national debt and improving but still serious balance of payments problems, Northern Ireland, Rhodesia and the rest, the British manage to find energy and time for Scottish and Welsh devolution?

Inside Britain, of course, the question has to be phrased differently. It must go something like this: How is one to devise schemes which would satisfy, especially in Scotland, explosive desires for maximum local autonomy which can be reconciled with the continuing political and economic unity of the United Kingdom?

It is the $64,000 question to which the Labor government's answer, as expressed in November's White Paper, is only one of several. Moreover, it was one which seemed to please few on either side of the devolution barricade: the Scottish and Welsh Nationalists, most Liberals and some Labor party supporters in both Scotland and Wales who want more; and most Conservatives and Laborites in England and not a few in Scotland and Wales who want less or none. To these last-mentioned, devolution, even along the White Paper lines, would be, as some put it, "the first step along the slippery slope leading to the ultimate break-up of the U.K."

To grasp the issues involved, one must go back some centuries. It has to be appreciated that less than 270 years ago, just 69 years before the founding of the United States, Scotland was still an independent kingdom (although with a king wearing the crowns of both England and Scotland), with its own parliament and distinctive institutions. More than a half-million Welshmen, around 20 per cent of the population of Wales, still have Welsh as their mother tongue.

The union between England and Scotland in 1707 has left each with some of the institutions intact. These include the churches, the legal systems and the educational systems. In Wales, too, religious institutions followed independent courses reinforced by the Welsh language preached from many pulpits.

It was in 1885, at the height of the home rule debate over the status of Ireland, that the first steps were taken to devolve administration from Westminster to Scotland by establishing the office of the secretary of state. This office has grown in size and importance ever since and now consists of the secretary of state himself (a member of the British Cabinet), two ministers of state and three under secretaries; about 8,500 civil servants, based mostly in Edinburgh; and administrative responsibility over local government, health, social services, education, housing, planning, roads, transport, electricity, the law, fishing, forestry, agriculture, tourism and some regional economic functions.

Wales followed much later in Scotland's track. A Welsh Office with some of the functions of the Scottish Office was set up in 1964. It, too, is headed by a Cabinet minister.

Administrative devolution has not, however, been happening in a vacuum. There has been agitation for legislative home rule, as distinct from ministers responsible for Scottish affairs to a largely English U.K. Parliament for almost a century. A Scottish Labor party (not to be confused with the new dissident party set up recently) was started 90 years ago by James Keir Hardie, first leader of the U.K. Labor party. Home rule was part of the party's policy until as recently as 1955. (It somehow got lost after Labor's 1945 landslide victory, however.)

The Liberals, the ruling radical party earlier this century, have never abandoned the policy of home rule. Only the Conservatives, the "Unionist" party in Britain as well as in Ireland, have held out against what they regarded as a fragmentation of the U.K.—until comparatively recently, that is.

The Nationalists

For in the 1960s, new political forces emerged in Scotland and, to a lesser extent, in Wales. In Scotland, the Scottish Nationalist party, until then a small band of enthusiasts (except for a surprise by-election victory in 1945) had begun to put up creditable performances in parliamentary as well as local government elections culminating in Mrs. Winifred Ewing's by-election victory at Hamilton in October, 1967. The Welsh Nationalists, too, until then a cultural rather than political force, succeeded in gaining Carmarthen at a by-election through their leader, Wynfor Evans.

Both lost their seats in the

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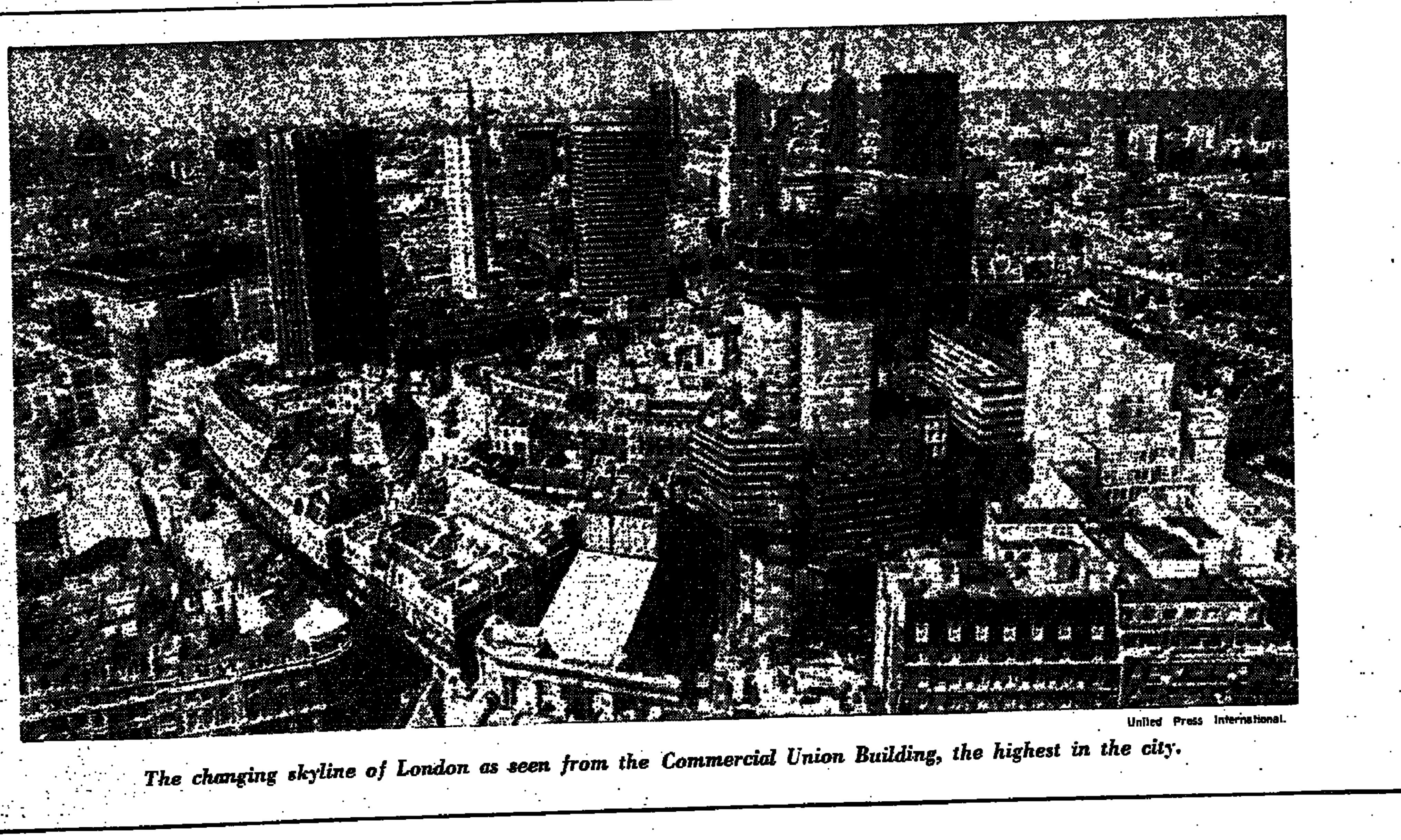

United Press International.

The changing skyline of London as seen from the Commercial Union Building, the highest in the city.

North Sea Oil Is Viewed as No Panacea But Six Key Benefits Loom

(Continued from Page 7)

be discussed in greater detail in the course of this article.

Up to now coal has been Britain's main indigenous source of energy, although natural gas, found in substantial quantities off the English east coast and now being supplemented by discoveries in the northern parts, has been playing an increasing role in the last decade.

But even as recently as 1969, coal met over half of Britain's energy requirements, with oil a close second at 43 per cent, and natural gas, nuclear energy and hydroelectricity far behind.

Provisional figures for 1975 indicate that oil has maintained its share but that coal contributed only 38 per cent and natural gas a much increased 16 per cent, while nuclear power was still hovering around 3 per cent.

Last year was somewhat untypical in that overall consumption of energy declined by about 4 per cent as a result of the economic recession and the high price of crude imports. The present indications are that the availability of North Sea oil and gas may *not* increase their respective share in the energy balance of the 1980s, particularly if—as the British government hopes—the high price of crude is maintained.

The advantages of domestic resources lie elsewhere: in a drastic reduction in the need for imports, or even self-sufficiency in an emergency, which, among other advantages, is of strategic significance.

The Department of Energy's latest forecast is that in 1980 the North Sea should yield between 100 and 130 million tons of crude and that production of 100 million to 150 million tons, perhaps more in some years, should be maintained throughout the decade.

This year should see the first significant quantities, perhaps 15 to 20 million tons, from the large Forties and Brent as well as the smaller Argyll and Auk fields. The original production schedule is 13-24 months out because of weather conditions and platform delays.

According to this new forecast, the need for imports should be eliminated from 1980 *in volume terms*. However, as most British refineries are geared to processing heavy and sulphurous Middle East crude, it may make economic sense to mix them with the lighter, sulphur-free and therefore higher priced North Sea oil and export the surplus.

Looking 10 years ahead, Britain's overall fuel pattern may look like this (figures in million tons of coal-equivalent):

	1975	1985
Coal	120	135
Oil	132	175
Natural gas	52.5	80
Nuclear	11	38
Hydro	2	2
TOTAL	317.5	430

These estimates are, of course, based on the growth of energy demand and consumption of the 1960s and early 1970s rather than on the recession year of 1975. They indicate that, apart from the share of nuclear power using from 3.4 to just under 9 per cent and a corresponding decline in the share of coal, the proportions of oil and natural gas would remain in 1985 broadly at the present level.

Two factors in particular may upset these calculations: the price of crude and its overall economic value in terms of government revenue and the balance of payments.

Lower Price Seen

Some experts forecast a declining price, especially in view of falling demand, and cite the recent price cuts by Saudi Arabia, Kuwait and Iran in support of their theory. The question is how far below the high-water mark of $12 a barrel the price is likely to drop and so render some of the more marginal North Sea fields uneconomic.

One expert has estimated that a drop of even $1 a barrel would reduce the profit margins of two of the 14 proven fields, Dunlin and Hutton, below the 20 per cent considered as the minimum acceptable return on investment. There are, moreover, a number of new discoveries whose commercial use may well depend on price movements and expectations; and so could those following the issue of the fifth round of licenses expected later this year.

The Department of Energy's own estimate of reserves of proven and probable fields already licensed is 2.265 billion tons, with total reserves of 3 billion to 4.5 billion tons. This would indicate a life expectation of 20 to 40 years, depending on the rate of depletion and assuming that all the major fields have already been discovered.

The depletion rate may, in turn, depend on the government's desire to swell its balance-of-payments surpluses and so reduce both foreign debts and the interest charges accumulated during the lean years. It may also depend on using oil revenues for reducing public debt and, a subsidiary but not unimportant factor, on progress made on new generations of nuclear reactors, which may increase the nuclear contribution to power supply at the expense of both oil and coal. A future recession, too, may alter energy plans.

The quadrupling of crude prices toward the end of 1973 played havoc with the United Kingdom balance of payments, which cuts in the imports of petroleum and petroleum products as well as other goods last year could only mitigate. In fact, had it not been for escalating oil prices, Britain, as the table below shows, might well have run into a surplus last year on the current account, which takes into consideration services and financial transactions as well as trading:

In Billions of Pounds
(seasonally adjusted)

	Trade Balance Petroleum & Products	Other goods
1974	— 3.423	— 1.811
1975	— 3.122	— .89

	Invisibles	Current Account
1974	+ 1.566	— 3.668
1975	+ 1.524	— 1.687

One reason for Britain's bad performance in 1974 was its slow start in taking advantage of the newly gained purchasing power of the nations of the Organization of Petroleum Exporting Countries. According to British Treasury estimates, the increase of British exports to OPEC countries, with Iran, Nigeria and Saudi Arabia the chief customers, was only 45 per cent in dollar terms (some of it undoubtedly influenced by inflation), compared with 77 per cent achieved by the major competitors. West Germany, for example, managed to more than double its exports.

Associated Press.

In June 1975 the first oil began to flow from the North Sea.

While detailed figures for 1975 trade with OPEC countries are not yet available, it may be assumed that the improvement in the balance of trade includes an element of higher exports to the Middle East.

The North Sea operations themselves have so far had an adverse effect on the balance of payments, as much of the equipment for exploration and development had to be imported, particularly in the initial stages.

(Britain's growing but still insufficient capability for supplying the needs of North Sea operations will be discussed later in this article.)

Trade Deficit

In fact, the decline in the average monthly trading deficit from £192 million in the third quarter of 1975 to £116 million in the last quarter was to a considerable extent due to the reduction in imports for North Sea installations. The Treasury itself reckons that for 1975 as a whole imports of equipment for developing the fields were larger than in previous years, while the first flows of oil were too small to affect imports of crude.

The cost of North Sea operations, including imports of equipment, has aggravated Britain's indebtedness, including foreign borrowing, with the result that interest payments will to some extent encroach on the yield from these operations for many years to come.

On the other hand, the gain on the balance of payments will be considerable. As was noted, the deficit on trading in petroleum and petroleum products was still as high as £3.122 billion last year. At the same time, the Department of Energy's forecast of a flow of up to 130 million tons of oil from the North Sea in 1980 is higher than the peak import levels of the early 1970s. Even if oil consumption rises at a slower rate than in the decade before the Middle East war, the reduction of imports combined with the expected higher price commanded by high-grade North Sea oil should—all things being equal—produce a healthy surplus on the oil account compared with the huge deficits of 1974-75.

("All things being equal" assumes that the price of oil holds at or near the price of $12 a barrel, one of the imponderables of the North Sea operation.)

Britain and the EEC

Western Europe is the largest single importer of crude in the world, and Britain's de-facto self-sufficiency in oil and natural gas will be of great significance, particularly to the European Economic Community of which Britain is, unlike Norway, the other potential major North Sea producer, a member.

By 1985, the North Sea and the Celtic Sea (which has yet to produce commercial finds) may account for 90 per cent of the EEC's total oil production and about 45 per cent of its total indigenous energy output.

Putting it another way, oil and gas from Britain alone may provide 12 to 15 per cent of the EEC's total energy needs. At present, indigenous production, mostly land-based, meets less than 3 per cent of needs.

These expectations played a great part in the British government's—partly foiled—attempt to secure a separate voice in the recent Paris conference on world energy in sharp contrast to the wish of the other EEC partners to speak with a common voice. (A common energy policy has been one of the main objectives of the EEC Commission ever since the Middle East crisis.)

However, as a concession, Britain did obtain an assurance of a "floor price" of $7 a barrel from its EEC partners, including France, a country which has so far kept out of the International Energy Agency (the group of oil-consuming countries sponsored by U.S. Secretary of State Henry Kissinger). IEA agreed in principle a year ago to a minimum floor price.

Owing to the price issue, the EEC's aim to reduce the share of fossil fuel imports (oil and coal) from last year's 60 per cent to under 50 per cent—possibly 40 per cent—by 1985 is unchanged.

Britain's contribution to the reduction of imports cannot but enhance its economic value to the EEC, although—witness the row before the Paris conference over a "separate voice"—it may also give rise to conflict of interests between Britain and its EEC partners.

To be fair, the community has experienced—and survived—many such conflicts of interest, including those between France and Germany over farm prices, between Italy and the rest over the former's temporary import restrictions, between Italy and France over wine, between Germany and the rest over regional aid, to mention only some of the more recent flashpoints.

To a government which only recently had to trim its public-expenditure estimates by £3 billion over the next four years, the North Sea "take" is of crucial importance. The total income will include taxation—royalties, corporation tax and petroleum revenue tax—and the profits of the new government agency, the British National Oil Corp.

The Treasury's calculation of probable tax revenues is based on the Department of Energy's tonnage estimates described above. It expects to skim an average of 70 per cent off the oil companies' net revenues over a period of years under the three headings: the 12.5-per-cent royalty on the oil's well-head value; the petroleum revenue tax at 45 per cent, charged on receipts of oil sales, less royalties, operating costs (excluding interest charges) and 175 per cent of capital expenditure on development, and corporation tax (52 per cent in 1975) on net revenue after deduction of royalty, petroleum revenue tax and other expenses.

The Treasury reckons that between 1975 and 1980, the government take might total some £3 to £4 billion, including petroleum revenue tax of between £900 million and £1.3 billion.

During the early 1980s, the total government take might rise to £2 billion to £3 billion a year, of which the petroleum revenue tax would contribute £800 million to £1.2 billion.

This, of course, is purely the tax take: the finances of BNOC's operations are still an unknown quantity. While BNOC will pay taxes like any other oil operator, its hoped-for substantial profits will also find their way into the government's coffers as a return on investment financed by the British taxpayer.

BNOC has started off with the takeover of the share of the National Coal Board (another state agency) in 51 blocks or part-blocks in the North Sea, including some in four commercially proven fields. They are Thistle and Dunlin, both due to come into production next year; Hutton and the British segment of Statfjord, the larger part of which is in the Norwegian sector of the North Sea, but which is the biggest field discovered so far. The National Coal Board also had a share in the profitable Viking gas field in the southern North Sea, which has also been transferred to BNOC. The total BNOC investment so far amounted to £90 million; but as from now it will also have to part-finance the shared fields.

The rescue operation mounted for Burmah Oil by the Bank of England, the state's own 48-per-cent ownership of British Petroleum (whose Forties field was the first of the major fields to come on stream) has helped the government's efforts to secure 51-per-cent participation by BNOC in the exploitation of North Sea oil and gas.

More agreements in principle followed, particularly with smaller companies short of the mounting cash requirements of oil exploration and development. Tricentrol, SCOT and LSMO are examples. Next came, at the end of February, what the government asserts—and the opposition denies—to have been the most significant coup so far: an agreement with Gulf one of the U.S. oil majors, and the Continental Oil Co., Conoco.

Government Stake

Gulf and Conoco were NCB's (now BNOC's) partners in the Thistle and Dunlin fields. The agreement also provides for a government stake in three other fields—Statfjord, Hutton and the recently discovered Murchison—through NCB's partnership with one or the other of the U.S. companies. This latest deal brings the total of provisional agreements so far to eight.

The Gulf-Conoco-BNOC deal is a complex one: what is clear is that BNOC will have an option to buy at least 51 per cent of the trio's total yield from the contracted fields. There has so far been no commitment on the more controversial question of 51-per-cent ownership, which would give BNOC—and the government—a major say in the marketing, processing and depletion rate of the fields concerned. Last year's parliamentary legislation defining participation as an optional right of the government did suggest, however, that companies which have previously agreed voluntarily to government participation will have preference when the next round of licenses is issued.

Some major operators, particularly U.S. ones, have objected to what they regard as "changing the rules in midstream," and in this they are supported by the Conservative opposition.

Clifton Garvin Jr., chairman and chief executive of Exxon, parent company of Esso, made this objection plain during a recent visit to London. Mr. Garvin could see no advantage of such participation either for his company, or for the government. "It won't get the oil out any faster," he said. "If anything, there is a danger that development might slow down, although we are still pushing ahead of schedule."

For its part, the government, through its main negotiator, Minister Harold Lever, has been trying to reassure the operators that participation would leave them no worse off financially.

The government is obviously determined to make BNOC a major force in North Sea development, though this is still a far cry from the Labor party's original pledge of bringing into public ownership all oil and gas resources. According to Anthony Wedgwood Benn, the controversial secretary of state for energy, and Lord Kearton, the former Courtauld chief who is now chairman and chief executive of BNOC, a measure of government control of oil depletion, processing and marketing is essential in what they predict to be a major scarcity of energy developing in the world well before the end of this century.

The Spin-Off Bonus

British industry was rather slow in gaining a respectable share of the offshore market on its doorstep. The Offshore Supplies Office of the Department of Energy was set up in January 1973 to insure that British industry obtained "a full and fair opportunity in this new market" as well as the expertise and capability of meeting both home and overseas demand.

The office had been inspired by a report of the International Management and Engineering Group, IMEG, which had estimated that, unaided, British industry might obtain a share of perhaps 25 to 30 per cent of the home market, while "if appropriate action were taken," the share could be as high as 70 per cent. So the office set out to spread knowledge about offshore engineering and other factors as well as to alert industry in the so-called assisted areas—which include Scotland and Northeast England, the areas most affected—to regional development aids available under existing legislation.

The Offshore Supplies Office claims some success for its efforts. In the two years 1972-73 British industry obtained an estimated share of only 37 per cent of orders totaling £850 million in value.

But in 1974, a year of much higher turnover, the British share rose to 40 per cent of the £1.279 billion worth of equipment and services. It looks as if the British share rose further last year, to nearly 50 per cent of a total of around £1.5 billion. In other words, says Peter Gibson, director general of the office, Britain's share of a doubled market rose by a third in just three years.

In some sectors the United Kingdom, a newcomer in the offshore market, had little or no capability and therefore a smaller share; in others existing capability was developed swiftly. For example, in 1974 U.K. companies secured 48 per cent of contracts for production platforms and modules, which represented about a third of the value of the total market. On the other hand, in rig hire, offshore installation, subsea pipelaying and subsea pipes—another third of the total market—the British share was only 15 per cent, with established suppliers from the United States, Norway, France, West Germany and the Netherlands still ahead.

In the remaining third of the market, which required established engineering companies to adapt to the new circumstances, the British did much better. In such equipment as power generators, pumps, process plant, compressors and fittings, U.K. manufacturers obtained almost two-thirds of the contracts signed.

In Scotland in particular, the effect was to mitigate the effects of the recession, with about 50,000 jobs created, directly or indirectly, in platform yards (seven out of eight new establishments in Britain), module manufacturers, specialist engineering and pipe-coating establishments, ports on the east coast and in the islands (including the proposed new deepwater terminal at Sullom Voe in Shetland, which promises to be the largest in Europe, as well as the BP terminal on the Forth, fleets of supply vessels, etc.

Several thousand jobs have also been created on Teesside, including a major platform-building yard and the Phillips terminal linking the Ekofisk field with northeast England. Scotland and northeast England have had the lion's share of oil-related employment, as already indicated, and escaped the worst of the current recession.

The United Kingdom as a whole benefited from the gigantic task of financing North Sea oil development which, by the time it is completed, will have cost up to £20 billion on and off-shore. Leading the £360-million funding consortium for the Forties field were top U.K. banks and financial institutions, which also participated in supporting other fields as, for example, members of the International Energy Bank.

Several finance and exploration companies and investment trusts were set up to channel private investment into the North Sea. A recent example was the public launching of £76 million worth of investment in the giant Ninian field by the two oil-related companies already mentioned—SCOT (Scottish Canadian Oil and Transportation) and LSMO (London and Scottish Marine Oil). About 20 per cent of the investment is in the form of direct participation in wellhead profits, a novel feature, and the rest in loanstock. The issue was oversubscribed within days.

It is far too early to draw a profit-and-loss account of Britain's North Sea bonanza. On the profit side many uncertainties prevail, including the pace and extent of future exploration, the viability of fields already covered but not yet put on a commercial basis.

Last year was typical of the vagaries of offshore operations. A record total of 28 finds were reported, of which at least ... were declared commercially viable and a further 14 in the "possible" category. These were followed earlier this year by the Conoco-Gulf-BNOC consortium's success in what is now called the Murchison field.

On the other hand, not a single production platform was ordered last year after the boom of 14 contracts, and for this year the Offshore Supplies Office predicts, ... cautiously, only two to four platform contracts. As a result, one yard (Laing's, on Teesside) ... layoffs of up to 1,300 ... later this year, and other yards too may find themselves with a rapid slackening of work in a year unless orders are received quickly.

The Department of Energy itself has revised its estimate of total North Sea platform requirements from 55 to 80 ... to 61, of which 23 have been ordered up to now.

Rig activity also fell short of expectation last year, and at one yard—Marathon, of Clydebank, Scotland—has been saved from closure at the eleventh hour by a fresh order.

The Offshore Supplies Office admits that the peak of exploration activity has passed but believes that the new capability and expertise gained from the North Sea experience will enable companies to win contracts in other parts of the world as offshore exploration is on the rise. By 1980, a Scottish Council (Development and Industry) study estimates, offshore oil and gas should provide 25 to 30 per cent of the world's total (compared with 13.5 per cent in 1974), over 80 per cent of it in places other than the North Sea. There are opportunities for British companies not to be missed.

The uncertainty of oil-price movements and the political battle over British government participation have already been mentioned as factors influencing the rate and pace of exploitation.

Other Hazards

Further risk factors are weather hazards and depth of the North Sea, which challenge the operators' ingenuity, technical expertise, technological and ... equipment to a greater degree than anywhere else in the world. Coupled with these are rising costs of development fueled by worldwide inflation. Forties field, for instance, is now expected to cost at least twice the original estimate.

On the loss side of the North Sea account are the environmental hazards—the damage to scenery and amenities, pollution and social disturbance. An example of the balance that is having to be struck between the need for major industry and the damage caused by it is the petrochemical project promoted by Cromarty Firth Petroleum Co., a subsidiary of National Bulk Carriers, a U.S. concern. In authorizing the £150 million refinery at Nigg Bay, in the north of Scotland, which is to process 10 million tons of crude a year, William Ross, Secretary of State for Scotland, had to override objections from 500 people, who were also supported by the reporter (the independent investigator appointed by the secretary of state), after a ... and controversial inquiry.

One argument advanced repeatedly was the existing over-capacity in refineries throughout Europe. Mr. Ross's counterargument is that it is desirable to process more of the North Sea oil locally, some of which would be exported and so benefit the balance of payments.

Another argument was one common to all onshore projects: the dereliction and shattered communities that will be left behind once North Sea activity tails off, possibly long before the end of this century. The threat is particularly acute in small and isolated communities such as ... or the islands of Orkney and Shetland, at present major exploding centers of oil and development.

Strenuous efforts are being made by the government, local authorities, the communities affected and the oil companies themselves to anticipate the dangers and, to some extent, provide compensation for a loss of amenity and life-style. It may not be very long before the full extent of the loss side of the account is revealed before our eyes.

Risks are attached to every enterprise, big or small, and the North Sea project—a very big one—is no exception.

There are encouraging signs that all parties concerned—the British government, the operators, financial institutions, the providers of equipment and services, the workers, the local authorities and communities—are aware of the enormous potential for economic advance lying offshore.

Andrew Hargrave is a freelance writer, formerly the Frankfurt correspondent for the Financial Times, and has been a contributor to the IHT.

New Political Interests Are at Work, Indicating an Era of Change

(Continued from Page 7)

...h self-government than its ...hite paper suggested. Even ...s not enough for some of ... A breakaway Scottish ... party has been formed, ...o Labor MPs have defect... it. The Scottish National ...must hug itself with plea...s it recalls how very recent ... that they were regarded ...matic fringe, an aberration ...ch no concessions need be ... though in fairness, they ... have to admit that it was ...e to the brilliance of their ...ents than to the fortuitous ...ry of oil in the North Sea ... Scottish coast.

...tever the detailed outcome ... devolution debate now rag... is certain that Britain ...oon see an assembly sitting ...inburgh enjoying powers ...elded by a Scottish Parlia... since the Act of Union of ...nd with the Welsh in pos... of a degree of autonomy ...wn to their race since ...d I destroyed Llewelyn ap ...d and made his own son ... of Wales 400 years before

...s only natural to expect ...aving pushed the United ...m government as far as ...oth the Scots and the ... Nationalists will reap an ...al reward from their grate...untrymen. So long as the ...do not, from hubris, press ...rd their underlying ambi...f complete and total inde...nce—which would frighten ... of their supporters away—...an hope to make inroads ...bor north of the border ...hip away more of the re...g Tory total.

... Liberals, who have a rep...n for perceiving policy ... long before their big ...rs in the Labor and Tory ... (and then, predictably, ...at their clothes are stolen) ...ready pressing for a full... federal system of govern...for Britain as the only way ...venting the disintegration ... United Kingdom.

...eems obvious that changes ... constitutional relationship ...n the English and their ... neighbours can hardly ... Ireland untouched. Ironi... Scotland is to get its As...r soon after Ulster has lost ...n parliament at Stormont, ...e terrible struggle with the IRA is taking place within the framework of direct rule from Westminster. Everyone agrees that direct rule, as it now stands, cannot continue indefinitely. For one thing, Northern Ireland, with only 12 seats at Westminster, is grossly underrepresented, but no non-Irish politician would want to see the number of MPs from *the province increased to between* 18 and 22, which is the number to which they would be entitled. Direct rule can fill only temporarily the vacuum created by the abolition of Stormont and the failure of the British government to persuade the Ulster politicians *to accept some form of power*-sharing between the Protestant majority and the Catholic minority.

A Solution

It may *take a long* time, but some solution will have to be found, perhaps in the form of independence for Ulster, or a union with the Republic, or incorporation in a federal United Kingdom system with Stormont restored, or simply a local agreement in the aftermath of a complete withdrawal by a war-weary *government* finding that the presence of the British Army in Ulster has become intolerable to the voters at home.

As part of the theme of change, which is not always apparent in the sterile exchanges of everyday parliamentary life, *there is increasing agitation for* reform of the capricious voting system. Again, this is an issue closer to the hearts of the smaller parties, who feel themselves discriminated against by arrangements designed to favor the big battalions.

But even within the *Tory* party there are advocates of proportional representation—or "fair voting" as it is more often called nowadays—and they have been trying to persuade businessmen who contribute to the party to make their contributions dependent on its *agreement to adopt* PR. There are still those who, though the evidence is circumstantially slim, believe that the Conservatives could have retained office in March 1974 if they had entered a coalition with the Liberals, whose price would have been the *introduction of fair voting*. In fact, this argument overlooks the likelihood that the trade union movement, cock-a-hoop over the miners' strike that helped *topple Edward Heath and* his government, would have cried 'Tilt!' and refused to accept any such arrangement on the grounds that it was denying the people's will.)

Hypocrisy

Nevertheless, it has been gleefully pointed out that by employing a *series of exhaustive ballots* in choosing their new leader, the parliamentary Labor party was guilty of hypocrisy. "First past the post" would have given the election to Michael Foot in theory, at any rate, though in fact the result of the first ballot might have been very different if it was known that it would be the only one. But the question remains, *if fair voting is good* enough for Labor MPs, why is it not acceptable for application to the electorate at large?

There is another interesting *development in* the heightened interest now being paid to the way in which parliamentary *candidates are selected* by the big parties. Left-wingers have embarrassingly focused attention on the undemocratic way in which MPs get the party ticket that takes them to the House of Commons by their campaign to oust men of the right like Reginald Prentice, the Minister for Overseas Development. Their activities were denounced at the *last Labor* party conference by Harold Wilson, who referred to left-wingers who capture the small local committees that choose the candidates as "self-appointed samurai."

However, more and more people are refusing to see such *activities as mere inner-party* squabbles which are acceptable so long as respectable Cabinet ministers are not deprived of their constituencies. The role of the caucus is being challenged as people come to realize that a tiny unrepresentative minority—*whether of the left or the right* is immaterial—in the two-thirds of parliamentary seats that are safe for one or other of the big parties, are the political elite who are really choosing the MP. It is a fair prediction, as we peer into the future, that some *modified form of* the U.S. primary election system will be generally introduced in Britain some*time during the next decade*. By bringing many more people into membership as the qualification for a primary vote, the parties might even be able to escape the dangers posed by their current flirtation with the idea of state subsidies for their political activities.

Keystone.

Mrs. Thatcher

Reform

The itch for constitutional reform is also displaying itself *at the very core of the British* political system. Authoritative voices are being raised urging that for the first time since Magna Carta served that function, Britain should have a written Constitution with an entrenched, modern Bill of Rights. The argument, put forward by some of the judges and a few politicians, is based on the fear *that the power of Parliament itself*, together with the vast bureaucracies it has created, has become overweening, and that the citizen needs protection from its apparently never-ending legislative production line.

The creation of the role of the *ombudsman can* be seen as a limited step towards meeting such criticisms, but his powers are strictly confined and he is, technically, a servant of the House of Commons, hearing only those complaints channelled through to him by MPs. Protag*onists of constitutional change* of this kind are now looking to the European Declaration of *Human Rights as providing the* nucleus of a new British Bill of Rights.

The itch for constitutional reform is also displaying itself at the very core of the British political system.

While Parliament is criticized for having too much power, that institution itself is having to come to terms with the powerful trade union movement. Both major parties have attempted to reform the unions by legislation. Both have failed. Labor may have tipped a little too far in the opposite direction in carrying a whole cornucopia of pro-union legislation, but they did obtain in return a one-year commitment to a flat-rate incomes policy which materially assisted —though alone it would not be conclusive—the fight against inflation.

Loading the Dice

Some observers believe that by slotting the union bosses into the government's decision-making *processes* at a *pre-Cabinet* level—via a body known simply as the "Liaison Committee"—Harold Wilson has loaded the constitutional dice against the Tory party, which could not, and would not, continue such a relationship if they gained power.

The unions are *delighted that* Michael Foot, as secretary of employment, has restored to them the closed shop that the Tories took away in 1971, and in a strengthened form, as well as introducing a wide-ranging Employment Protection Act. This makes dismissals and redundancies more difficult for manage*ment to impose*, gives *pregnancy* leave to women, time off for shop stewards to carry out union duties, and makes wages and lay-off pay the first charge on a bankrupt firm—with the *state* picking up the bill if there's nothing left in the kitty.

Tory Attitude

If the camaraderie of the past two years gives way to bickering, the Conservatives will be well pleased. Jim Pryor, who is Michael Foot's Conservative opposite number, has *promised not to* get rid of the new industrial relations laws, though he has reserved the right to dicker about with some of the details. But electorally the biggest handicap the Tories have is their reputation for confronting the unions head on, as they did so disastrously with the miners in early 1974. "Who governs the country?" Edward Heath's war cry then, is a slogan the Tories prefer to forget. But the biggest gift they *could have would be some signs* of strain between the unions and Labor, if only to allay the fears of those voters who would be shy of voting Conservative if they were persuaded that it would mean a return to power cuts, shortages and the three-day week.

The Conservatives realize, however, that they would have to work out some *modus vivendi* with *the* unions *if they again* came to government.

Mrs. Margaret Thatcher, with her middle-class Mothers' Union image, has been assiduously cultivating the leaders of the big unions, meeting them over lunch and dinner, and assuring them *that her intentions towards them* are honorable. Her secret fear must be that come election time, these same union bosses might announce publicly that they would find it difficult to work with a government led by her—an announcement which, depending on its exact phraseology (put too brutally it might even persuade people to vote Conservative) could scupper her chances.

This consideration apart, Mrs. Thatcher has several advantages over the newly installed Mr. Callaghan. She has established herself unchallengeably as leader of her party, winning over some devoted Heath supporters in the process. At 50, she is considerably younger than the 64-year-old Mr. Callaghan, *who is, in fact* older than Mr. Wilson, who found that enough was enough at 60. And she is a woman, the first ever to lead a British political party, at a moment in history when women are more determined to assert their independence and *their political rights, and could* well wish to identify with her.

Mrs. Thatcher is a shrewd publicist, with a keen sense of timing. Her sharp criticism of the Soviet arms program earned her the accolade of a direct personal attack by Moscow in the crudest *terms, with street posters devoted* to her in the Russian capital and counter-productive editorials in Pravda which should show a tangible return in votes when the time comes. And all this at a moment when an embarrassed Minister of Defense, Roy Mason, was being forced by Labor's economic retrenchment to bring in the third set of defense spending cuts in a year.

What of her weaknesses? The primary one is probably the old British *bugbear of class*. Although she in fact is the daughter of parents who ran a small grocery store, over which they lived, at Grantham, Lincolnshire, she herself conveys a more upper-crust impression. But personality apart, she does not lead a particularly high-powered team in the Tory shadow cabinet. Man-for-man (or woman) they do not *attract* much admiration or confidence, with Mr. Heath and a number of his senior colleagues, such as Lord Douglas-Home and Mr. Robert Carr having retired, and the most volatile Conservative vote-getter of all, Enoch Powell, having consigned himself *to being MP for an obscure Ulster* constituency, his reputation ebbing away in bafflement and frustration.

Labor Pluses

The Labor party, on the other hand, has a wealth of talent at its disposal. The abruptness of Harold Wilson's departure threw *the ball to James Callaghan*, but many people regret that Labor did not take the chance to elect a leader from its talented younger generation. Anthony Wedgwood Benn, at 52, was the youngest of the six contenders but unacceptable to the majority of his colleagues because of his way-out collectivist ideology. Waiting in *the wings for next time round* are people of the calibre of Mrs. Shirley Williams, Roy Hattersley, Merlyn Rees and Eric Varley—a line-up the Tories cannot match.

And what of James Callaghan himself? He is a man who has held all three great offices below *the premiership: Chancellor of* the Exchequer, Home Secretary and Foreign Secretary. The son of a navy petty officer, he became his widowed mother's sup*port at 15 and had to leave school* —he is said to be sensitive about his lack of a university education.

He gravitated to politics via the trade union movement, and for some years acted as a parliamentary spokesman for the Police Federation. This is one *clue to Mr. Callaghan's politics*: he is a law-and-order man, a great patriot, and he can appeal *to the common man. He is not*, however, a compelling orator, tending to ramble and to stay on his feet for too long.

Mr. Callaghan is not a profound thinker, *preferring to act on* instinct—what he thinks in his bones that people will accept—a *populist. He stands on the right* of the Labor party, certainly further right than Harold Wilson.

Nevertheless, he has made it. He is the chosen one. Labor—and the country—will have to learn to live with him. It may be that taking advantage of the honeymoon period people allow a new party leader, he will take the earliest opportunity to call a general election—perhaps this coming autumn, assuming always that some hope can be squeezed out of whatever economic indicators are at hand at the time.

Whenever the election comes, and whoever wins it, the big parties will have to begin to listen more *intently to the whisper of* the wind of change: change in the party set-up, change in the Constitution, change in the voting system. The mood is for reform, and victory will go to the party and the leader who takes account of it. The sad condition of Brit*ish politics, however, is that* thanks to the caution of Mr. Wilson during his long reign, and the blinkers imposed by years of economic failure and decline, James Callaghan may now have inherited the leadership of one of our two conservative parties.

Campaign of Scots, Welsh for Autonomy Is a Top-Priority Problem

With an utterly fluid situation between, as well as within, the parties and an equally volatile public opinion in Scotland and Wales, what are the chances of a viable solution acceptable to most? There are at least 10 points of conflict...

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general elections of 1970, but the SNP's foothold was retained by Donald Stewart, the provost (mayor) of Stornoway, in the Western Isles. He is still there and is now leading a parliamentary group of 11 which includes Mrs. Ewing.

In the intervening period, the SNP has made progress on a scale more far-reaching than even its parliamentary successes. Between 1959 and the February election in 1974 (when seven SNP members were elected), the party doubled its vote at each successive parliamentary election. In October, 1974, its 11 MPs (compared with 41 Labor, 16 Conservatives and three Liberals) represented 30 per cent of the total Scottish vote. Recent polls suggest that this proportion is now about 36 per cent, with the SNP overtaking Labor as the leading political party in Scotland. This has been borne out by SNP successes in regional and district council by-elections.

In Wales, although the Nationalist vote stayed about 10 per cent in 1974, the February election returned two of their members to the House of Commons, to be followed by a third one, Mr. Evans, in the October election.

The two major parties have reacted in somewhat similar fashion to the Nationalist threat. The first wave in the 1960s produced a Royal Commission (the second in 15 years) by the then Labor government and the so-called Perth Declaration by Edward Heath, leader of the opposition, suggesting an elected assembly for Scotland, although not for Wales. (He subsequently appointed his own study group, led by his predecessor, Sir Alec Douglas-Home, which duly made its own devolution proposals, an indirectly elected assembly processing, but not passing, Scottish legislation).

The Royal Commission reported in 1973, proposing directly elected assemblies in Scotland and Wales which would deal with domestic legislation from start to finish. By that time, however, a new issue had emerged which was to fan nationalist flames, particularly in Scotland. It was the discovery of oil and gas in the North Sea, most of the oil being in the northern Scottish part.

The question of whose oil it is ("It's Scotland's oil!" was the main nationalist slogan in the 1974 elections) has to some extent overshadowed the previous argument, which was about Scotland's economic backwardness, high unemployment rate, remoteness from the center of government and over-centralization of political and economic powers in the London area—all of which could be justified on factual grounds.

In fact, North Sea oil and its onshore spin-off is estimated to have produced about 50,000 jobs in Scotland so far, thus not only mitigating the effect of the current recession but reducing the ratio of unemployment from double in the early 1960s to about 1.2 times the U.K. average.

The wages and salaries gap which was about 10 per cent even 10 years ago has virtually disappeared in the same period. Moreover, it is being pointed out, those improvements could at least partly be attributed to regional development aid and other additional social benefits enjoyed by Scotland—as well as by Wales—both part of Britain's "assisted areas."

The SNP argument is that revenues from North Sea oil, including royalties, corporation and petroleum revenue taxes which may rise to up to £6 billion ($12 billion) by 1980 (the government's figure) or £8 billion (the SNP estimate), would make Scotland one of the richest countries in Europe, if not the world. Scotland would therefore need no help from anybody and standing on its independent feet would be a distinct advantage.

Firm Line

The government has drawn a firm line on the question of North Sea oil. While it appears to be flexible on other matters, such as marginal economic powers to be devolved to the proposed Scottish Assembly or the reserve powers retained by the U.K. Parliament, it is adamant on North Sea oil and gas (much of the latter is off the east English coast) remaining a purely U.K. asset.

The White Paper spells it out thus: "Those who wish to reserve to Scotland oil or other revenues arising there are in effect demanding a separate Scottish state. The circle cannot be squared: It is not possible for Scotland—or any other part of the United Kingdom—to enjoy rights which can only go with separatism yet not to have separatism itself."

This was the line taken by government spokesmen during the four-day debate on devolution in January. "Devolution, not separation" is the Labor party slogan in its current Scottish campaign.

Across Party Lines

While oil plays a major part in the devolution debate, it is complicated by other issues, some of which cut right across party lines. It has created divisions within the parties themselves and has recently led to the formation of the Scottish Labor party—a group of disgruntled Labor party members which now includes two MPs, Jim Sillars and John Robertson.

Mr. Sillars, 38, at one time one of the most determined opponents of devolution, and Mr. Robertson, 62, a former trade union official, want the assembly to have control over trade, industry and some taxation as well as a share of oil revenues. They also demand direct Scottish representation at the European Economic Community. These aims are not far short of the SNP's, the main difference being that Mr. Sillars, Mr. Robertson and the Scottish Labor party profess to be socialists, which the SNP are not.

The two men, both of whom have already been repudiated by their local party organizations, are in the curious position of remaining members of the parliamentary Labor group while, according to the Scottish party secretary, having "excluded themselves" from membership of the Labor party itself.

The clue to this apparent mystery lies in the Labor party's wafer-thin majority in the Commons. It cannot afford to lose even two MPs without upsetting the balance. On the other hand, as the breach between them and the rest of the party widens, the possibility of legislation leading to the setting up of the Scottish and Welsh assemblies being delayed or even shelved grows, too. The Conservative party in particular, depending less on its Scottish and Welsh representation for parliamentary power than Labor, has gone noticeably cool on the devolution issue, reinforced by the skepticism of industry, including the Confederation of British Industry.

Both Mrs. Margaret Thatcher, the new leader, and her deputy, William Whitelaw (who is the chief opposition spokesman on devolution), have been noncommittal on the powers of the Scottish Assembly and have come out against having one in Wales at all. On the other hand, in Scotland itself, Scottish Conservatives have been fighting hard to retain credibility as a party still in favor of devolution. The official Labor party in Scotland, which was against devolution only a couple of years ago, has performed a complete about-face and now demands more powers and fewer restrictions for the assembly.

With an utterly fluid situation between, as well as within, the parties and an equally volatile public opinion in Scotland and Wales, what are the chances of a viable solution acceptable to most?

There are at least 10 points of conflict endangering such a solution. The first one is control of North Sea oil—the rate of exploitation, processing and access to revenues. As already indicated, it is the one on which the government and the opposition are least likely to compromise.

Flashpoint Two concerns economic powers. The White Paper says regional policies must remain the responsibility of the government, i.e. the U.K. Parliament: "It would not be practicable even to leave particular areas to draw up their own schemes of economic support and assistance within an overall allocation, since divergences could easily distort competition in ways incompatible with a unified economy."

That is behind the proposal to split the new Scottish and Welsh development agencies, allocating their environmental and factory building functions to the assemblies while leaving development aid under the control of the secretaries of state.

On the other hand, the "maximalists"—the Scottish Labor Party, the Liberals, some official Labor men, a few Conservatives (especially young ones) and, of course, the nationalists—want the Scottish Assembly in particular to have control of not only the Scottish Development Agency but also all the economic functions at present or in future exercised by the secretary of state. These include regional aid, farming, fishing, forestry and manpower services.

Flashpoint Three involves domestic fiscal powers restricted by the White Paper to a surcharge on local rates, a most unpopular form of taxation. The maximalists argue that without independent revenue-raising powers, an assembly, dependent solely on a block grant wrung from the Treasury, would have no "economic teeth" as most of the block-grant allocation would be preempted by the local authorities anyway.

Flashpoint Four concerns the status of the universities. The Scottish principals favor the status quo which makes the universities semi-autonomous within the U.K. system, and they are backed by the White Paper. On the other hand, the maximalists and most Scottish student organizations want the universities to be part of the Scottish educational system, which in turn will come under the jurisdiction of the assembly.

Flashpoint Five is the law, which in Scotland has retained its European common law origins and is quite distinct from the law of England and Wales. According to the White Paper, the courts would remain the responsibility of the Scottish secretary of state and the law officers while many prominent Scottish lawyers would prefer control by the assembly.

Flashpoint Six concerns the U.K. Parliament's reserve powers, to be exercised in the first instance by the secretaries of state whose future role has been compared to that of colonial governors-general.

According to the White Paper's proposals, the secretary of state would decide initially whether laws passed by the assemblies were *ultra vires*—in other words, beyond the powers granted under the Devolution Act—or whether they were contrary to general U.K. policy. The possibility of the latter could, of course, be enhanced by different parties having majorities in Parliament and the assemblies.

While it is generally acknowledged that assemblies created by an act of Parliament should on the whole keep within the limits of legislation, opponents of the White Paper argue that the legal debate should be left to the court (or a supreme court, like those of the United States and Federal Germany) rather than a party politician or even a U.K. Parliament of party politicians. As for conflicts over policy, it is pointed out that such conflicts already exist between local authorities and governments of different political color, the former usually conforming to overall government policy on major issues, some of which—defense, foreign policy, general economic, taxation, energy and transport policies—would remain with the government even in a devolved Britain.

Flashpoint Seven concerns timing. The government has abandoned its original intention to complete the legislative process this year: instead the full bill will not be introduced until the 1976-77 session, which means that assembly elections may not take place—if at all—until 1978, which may well be a general election year.

Flashpoint Eight is over combining legislation for Scotland and Wales in which the pressure for both devolution and its scope differ widely. The Conservatives have already served notice that they want separate legislation for the two countries, with an elected assembly limited to Scotland.

Flashpoint Nine is what is generally described as the "English backlash," which is spread over both major parties and over the whole political spectrum. As it covers 80 per cent of the MPs in Parliament, it is a serious threat to the whole devolution process. Opponents of devolution include leftists from other "assisted areas" who fear that Scotland and Wales may gain unfair economic advantages, other leftists who regard it as being irrelevant to the working-class struggle, and men of the center and right who consider it as the "first step on the slippery slope" to a disintegration of the U.K. and a further loss of power and influence in the councils of the world. They are backed by influential industrialists who regard devolution as a disincentive to business confidence.

Finally, **Flashpoint Ten** is the danger of just this disintegration if devolution is postponed, shelved, or rejected. This prospect was conjured up by Edward Short, leader of the House of Commons and the man in overall charge of legislation, in a recent radio interview. Referring to the possibility of the devolution bill being rejected, Mr. Short said, "I am firmly convinced if that happened it would inevitably lead to the break-up of the United Kingdom. It would be Ireland at the beginning of the century all over again."

Mr. Short's allusion was to successive Irish home rule bills introduced by a Liberal adminis[tra]tion but frustrated by the [...]ly Conservative Unionists.

On the other hand, Mr. S[hort] defended the White Paper's position to devolved econ[omic] and industrial powers. He [...] saw competitive bidding by [Scot]land against other areas such [as] Wales, Merseyside or Tyne[side]. "I'm quite sure it would [...] get through the U.K. Parliam[ent]," he said. "English members w[ould] never support it."

Of course, the smooth pas[sage] of a devolution bill based [...] on the White Paper would [...] more to the new Prime Min[ister], James Callaghan, than more [ef]ficient, democratic and decen[tral]ized government. What is [...] much in their minds is lo[ss of] power, possibly for general[...] if Scotland and Wales go sou[r on] Labor: for it was only its pre[pon]derance in Scotland and W[ales] that enabled the Labor part[y to] win four postwar elections, [...] in 1950, 1964 and, of course, [the] two elections in 1974.

That is why the governm[ent] will do its utmost to avoid a [con]frontation with the nationa[lists], particularly in Scotland, w[here] the clamor for "meaningful [de]volution" and "an assembly [with] teeth" is loudest. On the o[ther] hand, the government is—as [Mr.] Short indicated—acutely awa[re of] the danger of major concess[ions], particularly on the econ[omic] front, provoking an Eng[lish] backlash (with some Scottish [sup]port, particularly from Cons[erva]tives) which in turn could [frus]trate legislation altogether [and] so precipitate the eventual br[eak-]up of the U.K.

In any case, no compromi[se is] likely on two fundamental is[sues]: full U.K. control of North [Sea] oil and gas and the suprem[acy] of the U.K. Parliament. This [in] turn would rule out even a [fed]eral solution, as advocated by [the] Liberals.

At the same time, the sp[ecter] of a nationalist majority [in] Scotland, whether in the [...] Parliament or the assem[bly], haunts both major parties. [A] repetition of Mrs. Ewing's [...] by-election victory during [the] current session of Parliam[ent] could have a dramatic effec[t on] the shape and extent of dev[olu]tion, which is still very m[uch] in the melting pot.

The Different Theorists' Forecasts of Boom, Doom Are Condition

(Continued from Page 7)

or morbidity in the British economy, even if the characteristic goal of the 1960s for a much faster long-term growth rate needed to be abandoned or at least postponed as unrealistic and perhaps no longer even particularly desirable.

Moreover, the optimists say, it was sensible and constructive to cushion the initial shock of 1974's sharp rise in prices and sharp deterioration in the foreign-trade balance. Thus it did no harm to allow labor for a while to restore some of its eroded living standards (so passing back to OPEC a part of the terms-of-trade loss) and to accept a large enough budget deficit to absorb some of the deflationary impetus of the trade deficit.

Excessive Deficits

It is true, the optimists admit, that the trade and budget deficits went rather further than was intended, as did some pay settlements in the heady final days of the Labor government's "social contract." But the fault for this was largely that of the governments of the pacemaker economies of the OECD world—the United States, West Germany and Japan—which did not reflate as fast as they could and should have done, and of the former Tory government for building automatic cost-of-living adjustment clauses into its pay policy for the year from the autumn of 1973.

By the summer of 1975, the argument runs, the time had come to grasp the nettle. A firm curb on pay increases (a mere 10 per cent a year) was voluntarily accepted and implemented by trade unions, while the exchange rate was allowed gradually to adjust to the difference between Britain's inflation rate and that in trading-partner countries.

Excessive and unexpected personal savings, as well as the tardiness of Washington, Bonn and Tokyo, caused the recession, the budget deficit and the payment weakness to continue rather longer and deeper than planned. But by the end of last year the corner was turned, inflation was coming down, the payment deficit had been halved, and the trough of the recession was passed.

It only remains, the optimists now maintain, to resist temporary pressures for any undue new fiscal or monetary stimulus to the recovery which is already in the pipeline and will be well established by the autumn. At the same time it is necessary to persuade the trade unions to accept an extension from August of pay restraint on the basis of a formula which will insure a significant further deceleration of the inflation rate from rather over 10 per cent to significantly below 10 per cent.

Both these things are argued to be possible, indeed almost in the bag. Mr. Healey has shown that he is not the man to repeat the reckless reflation of his predecessor, Lord Barber, in 1972. Most of the £10-billion budget deficit of last year and of the financial year now beginning can be ascribed to shortfalls in revenue caused by the recession itself.

As economic activity picks up, revenue will recover quickly. After the government's announcement in its public-expenditure white paper in February that there will be no further increases in government spending (apart from debt interest) beyond this financial year, the budget deficit will progressively close itself over the next three years. There may have to be some moderate increase in the tax burden. But even this may be consistent with selective cuts in tax rates, because of the natural tendency for revenue to rise faster than national income under a system of "progressive" taxation.

Balance of Payments

As for the balance of payments, the prospective recovery in world trade, combined with restraint of home spending and the realistic downward floating of the pound's exchange rate, will insure that exports pick up rapidly enough to overhaul the headstart of imports. Any remaining tendency to deficit will be covered by actual or prospective oil import savings, and even exports, from North Sea oil production, which is planned to reach self-sufficiency by the end of the decade.

Thus the problems of unemployment, inflation and foreign deficit are well on the way to being solved on the basis of strict fiscal and monetary discipline, a floating exchange rate and a fair, but firm, income policy. This will now liberate governmental energies to concentrate on the new industrial strategy under which faster long-term economic growth will be encouraged by redeploying men and resources from declining or stagnant sectors to markets and enterprises which are judged to have a vigorous commercial potential, especially overseas.

That, at least, is the official line, and it is not demonstrably absurd. But it probably contains a stronger streak of sanguineness about the political process than even those economists who deny any fatal flaw in the British economy would be willing to accept. Moreover, the optimistic monetarists would reject much of the language in which it is expressed, preferring simply to say that, provided the money supply is geared to the long-run growth potential of the economy and the exchange rate allowed to float freely, market forces will deal with inflation and the balance of payments, even if not with all unemployment.

Others say the facts speak of much deeper-seated weaknesses than can be explained merely by the sins of omission and commission by the government's predecessors in office and by its opposite numbers in other capitals besides London.

Take first the Keynesian version of conditional pessimism. This has been set out most fully and subtly by the Cambridge Economic Policy Group in its annual "Economic Policy Review."

For them, the crux of the problem is Britain's weak performance over two decades in overseas trade, which has led to a permanent and progressive loss of export and home markets to foreign competitors. This competitive failure has generated a tendency to greater and greater balance-of-payments deficits at full employment, or, since only limited deficits can be financed, to higher and higher average levels of unemployment at comparable points in each succeeding economic cycle.

This thesis is combined with an unconventional theory of inflation culled directly from Lord Keynes's seminal work, "How to Pay for the War." According to this view, organized labor seeks a particular real wage level which it believes at the time to be just. It then uses its collective bargaining power to set the money wage level which it expects to provide that real wage. Inflation occurs when the actual resources, in terms of real national income less profit incomes, available to justify that money wage level fall short. Labor costs rise, and prices have to be marked up.

Thus the Cambridge group states that "recession causes *permanently* higher inflation than would otherwise have occurred" (their italics). The Cambridge group believes that as a matter of fact organized labor would be satisfied with the level of real wages that the economy could sustain at full employment and with something like Britain's present terms of foreign trade. But, because of the foreign-trade weakness, the actual increase in output cannot on average even keep pace with the all-too-slow increase in the productive potential of the British economy. So the gap between the planned level of real wages sought by organized labor and the available product of the economy is created.

Present Arrangements

It follows from this analysis and from the group's denial of any permanent potency to income policies, that there is no possible combination of policy weapons which could restore a tolerable equilibrium and stability to the British economy within the confines of what it calls "present arrangements." These are defined as "the macro-economic instruments available to the government [fiscal and monetary policy, 'managed' depreciation of the sterling exchange rate, and price and income policy] and the institutional framework within which these are used."

"The most important characteristics of this framework," the Cambridge review explains, "are the commitment to free trade within the European Economic Community and, more loosely, with other industrial countries; free convertibility of sterling and Britain's obligations to creditors and the International Monetary Fund, and at home the system of wage determination through bargaining between employers and trade unions." Under these conditions, the review says, it will be "impossible to achieve in coming years a reversal of the trend of loss of exports and home markets to foreign competitors and the slow growth in real income, rising unemployment and inflation which this entails."

Growth Rate

Specifically, the Cambridge Economic Policy Group calculates that output in Britain would have to rise by a good 5 per cent a year between 1975 and 1980 in order to close what it calls the "inflationary gap" between planned or desired real wages and available real wages. This rate would be sufficient to bring unemployment down only to 900,000 by the end of the decade.

It would also only just be enough to boost government tax revenues, at present rates of tax, by the 40 per cent in real terms which is necessary if the budget deficit is to be closed by 1980 even on the basis of the government's announced intention that there will be no rise at all in the public sector's expenditure on goods and services from 1975 onward.

There is the capacity for such an increase in output, the group estimates. But it calculates that such an output increase would imply an annual average increase in imports over the period of about 12 per cent a year, assuming strong growth in world trade and full preservation of the competitive boost which recent falls in the sterling-dollar exchange rate have conferred on British manufacturers.

To finance such a rise in imports consistently with balanced external payments by 1980—and after taking all credit for North Sea oil—would require an annual rise in export volume of nearly 14 per cent. This contrasts with an actual growth of 5 per cent a year achieved between 1965 and 1975. This, it estimates, would involve something like a 40-per-cent formal devaluation below the pound's average dollar exchange value in 1975, implying in turn a 20 to 30-per-cent cut in the dollar level of British labor costs.

It further estimates that this would mean a 10-per-cent cut in real wage levels between 1975 and 1977, with only a 5-per-cent recovery thereafter by the end of the decade. That, on the Cambridge group's model, would be explosively inflationary. The maximum growth in output that could be reconciled with the best growth in exports that can be expected at any exchange rate consistent with labor's autonomous plans for real wages would be only about 3 per cent a year.

Such an output growth, it is projected, would mean a rise in unemployment to 1,500,000 (from the present 1,150,000) over the next four years. It would also mean that real wages by 1980 would be no higher than they were in 1973. That contrasts with the 3-per-cent annual increase achieved between 1965 and 1973, which the group sees as the minimal norm to which organized labor aspires. It would also mean that the government would have, even on the basis of its present severely restrained expenditure plans, to raise tax rates sufficiently to provide half of the 40-per-cent real rise in revenues needed to close the budget deficit by 1980.

Worst of all, this rate of growth would manifestly fail to close the inflationary gap. So the government would fail dramatically to achieve any of its employment, price and living-standard targets, though it might with luck secure a precarious balance in Britain's external payments. The Cambridge group therefore turns to the need for radical alternatives, and it finds them in a more or less indefinite general suspension of Britain's free-trade obligations under the General Agreement on Tariffs and Trade, as well as under Britain's treaty of accession to the Common Market.

Specifically, by 1977 they want manufactured imports into Britain limited in volume by direct administrative control to the level of 1973, with a permitted annual increase thereafter of about 7 per cent. On this basis, if the international repercussions can be contained, they would expect a 5-per-cent-plus annual growth in British output as unsatisfied demand was diverted from imports to homemade substitutes.

That, they say, could be enough to bring unemployment down gradually and to provide sufficient resources to limit the fall in real wages to less than 4 per cent between 1975 and 1977, to be followed by a rise of more than 10 per cent over the following three years. This would close the inflation gap, as well as closing the budget deficit without higher tax rates. The stage would then be set, according to this approach, for "a transformation of industry and the economy in which the critical structural problems existing today could be resolved."

Kinds of Pessimists

Conditional pessimists of this variety are, as readers may be horrified to learn, but as will soon appear, much more optimistic than conditional pessimists of the other variety mentioned above, namely those monetarists who acknowledge the power of organized labor to set a monopoly price for labor through collective bargaining, a power which they expect to be exercised to the fullest extent that market conditions permit. The greater optimism of the Cambridge group consists in the fact that the condition under which it would be prepared to suspend its expectation of political and economic disaster—namely a general abrogation of free trade—is much less drastic than the condition under which the monetarist conditional pessimists would suspend theirs.

This latter view, partly developed and frequently propounded by the present writer, observes as a matter of theory that a political commitment to high employment based on fiscal or monetary (or even balance-of-payments-induced) stimuli to general demand can only coexist with monopoly pricing of labor at the price of accelerating an eventually explosive inflation. If the system is thus inherently explosive in one of its most important variables, it cannot be stable, and therefore the political order and economic prosperity which depend on its economic stability cannot be expected to last.

Recession Ending

It is clear from recent output, spending, employment and business-confidence indicators that the trough of the British recession was passed by the end of last year. Unemployment actually fell, freakishly, last month, several months earlier than would be expected on the basis of normal time lags following put trough in the mid second half of last ye

Soon credit demand vive, and then the will face an unavoidab Either they allow the satisfy it at the cost of more rapid rise in supply than the suppos est 14 per cent implie Healey's recent letter tion for drawing facili the IMF. Or they banks from satisfying cost of sharply boostin rates, crowding out spending and aborting economic recovery.

It is not within the the politically possible authorities should act now, any more than willing even to contem ing so when the same was presented in 1972. So one must expect that boom will be fueled ciently to bring unem down to anything lik point of the previous cy half a million), but sufficiently to fire the faster round of inflatio middle of 1978. It only personal savings behav cover by the autumn shock last year of so cession to put the matt dispute even among economic forecasters.

So, dispensing with monopolies themselves an inescapable necessit cannot be done by tive attack, because were politically possib legislature, the law would not be enforce the industrial defiance unions. All that is left to pass beyond the tra as the natural protector in what the worker capitalist world by givin the direct control and of all enterprises ab minimal size. It would left to labor to sink a market environment the consumer would be sovereign, the lender would be respectable an ments would restrict to a properly modest of their role and capac

Peter A. Jay is the Editor of the Times of

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[L]abor Seeks New Nationalizations in Drive for Economic Control

The real complaint against the existence of Britain's large public sector is that with such an accumulation of economic power in their hands, governments are reluctant to leave managements to get on with the job of running the state industries. They continually interfere at every decision point—manning, investment levels, pricing policy, planning strategy, wage fixing.

[Cont]inued from Page 7)

[...]nalized concerns is cer[...] better than that of [pri]vately-owned industries. [...], productivity and prof[...] while by no means as [o]pponents of nationaliza[...] times suggest, have not [...] source of pride to the [t]he British public.

[...]sly, far too cautiously, [...] or its main advocates, [...] beginning to take a new [...] those commanding [...] The National Enterprise [...]as been established to [...]e state to buy its way [...] of the profitable and [...] areas of private enter[...]

[...]innings have not been [...]. Its chief, Lord Ryder, [...] industrialist, has had [...]pt £300 million of his [bu]dget of £1 billion for the [Le]yland auto group and [...] had to put up more [...]r other "lame ducks" [...]d Herbert, the machine [...]. In addition, he has [...] a portfolio of govern[...]dings and possessions [R]olls Royce (1971), the [en]gine makers taken over [C]onservatives when they [d]anger of sinking under [...]eed RB-211 engine con[...]

[...]eral inspiration for the [...] well be the Italian [...] per la Ricostruzione [...]t its antecedents must [...]de Labor's own Indus[...]ganization Corp., a body [...] Labor in the 1960s to [...] mergers (Leyland was [...]s products) and even Churchill's acquisition [...]tate some 50 years ago [...]r-cent holding in Brit[...]eum. In fact, this im[...]lock of shares has been [...] not to the NEB, but to [...]st recruit to the na[...] sector, the British Na[...] Corp., which is busy [...]g for state participation [...]ldings of the North Sea [...]ation companies.

[...] Shelf of Politics

[...] has stepped up public [...] the theory and prac[...]ate intervention in in[...]ter a long period in [...]had been pushed some[...]e rear shelf of politics, [...] the take-over zeal was [...]ing the first two Harold [...]overnments (1964–66, [...] The halcyon days of [...] were often evoked, but [...]ned little anxiety, ex[...]e left, to emulate them. [...]he party was still too [...]he fratricidal Clause IV [...] risk reopening newly [...]unds.

[...] precariously small ma[...] one or two rebellious [...]ers who regarded the [...] a waste of time, Mr. [...]d his Cabinet had a [...]nough task in rena[...] the steel industry, [...] first been bought up [...]lee government in 1951 [...]ptly denationalized by [...]ous Tories in 1953.

[...]sult of the exhaustion [...]came both parties in [...]ged parliamentary tug-[...]r steel, an unwritten [...] compact came into [...] that virtually insures [...] an industry has been [...] state ownership, it [...] here.

[...]erefore, from the first [...]steps being taken by [...] and there is no doubt [...]ossibilities have been [...]dified since the heady [...] people like Anthony Benn, its political god[...]s talking of it taking [...]0 largest companies in [...]hat are the boundaries [...]sions of the state sector [...]? Excluding the health [...]hich is a big resource[...] hardly qualifies as an [...]tate ownership extends [...]markably wide range of [...]ring and service ac[...]

[...]re seven large nation[...]dustries: Coal, elec[...]eration and supply, gas, [...]oads, British Airways, [...] the post office. More [...] dozen smaller boards [...]e bus lines, hotels, [...]age, a parcels service [...]f which is the govern[...]ything like a monopoly [...]anals, hydro-electricity [...]d, airports and North [...]

[...]Billion in Assets

[...] seven control assets [...] £20 billion, and the [ind]ustries employ nearly [...] of Britain's 25-million [...]e. In spite of their [...] for loss-making on a [...] scale, the basic per[...] of these industries—[...]n the railroads, which [...]where a special case—[...] the years been reason[...]ctable, if not spectac[...] spite of a deal under [...] government pays for [...] which are identified as [...]g but economically or [...]ssential, the passenger [...]ht services of British [...] in financial terms, a [...] pit. The government [...] to come up with yet [...] plan for the future, [...]uld involve a further [...] in route mileage.)

[...]artly clouds the finan[...]cial performance is the heavy debt burden carried by each of the industries as a result of modernization, deficits run up as a result of price controls and repayments to the government of compensation for the former owners (it was not paid directly by the coal industry, for example, because it was feared that the miners would resent the impost. So the coal owners were paid in government stock and the miners—who could read, too—still resented it).

It has become standard practice occasionally to write off part of these debts, presumably on the theory that every now and then an industry needs a new start. Since 1962, well over £3 billion of debt has been eliminated, including more than £1.7 billion for railroads, £800 million for coal, £350 million for steel and nearly £200 million for the post office.

Considerable Debt

Remaining long-term debt, however, is considerable, with interest charges often wiping out trading profits and giving these industries the reputation of being chronic loss-makers. In fact, the latest available figures (for 1974) show that the publicly-owned industries earned a gross trading surplus (before allowing for depreciation or appreciation in the value of stocks) of about £2.4 billion, which suggests a crude return on assets employed of around 12 per cent—a figure seldom, alas, achieved on a net profit basis.

An analysis (based on pre-1974 figures) published by the merchant bankers Fraser Ansbacher, Ltd., pointed out that the "moderately successful" group of state industries—electricity, gas and the post office—manage a return on invested capital that is only two thirds of the average achieved by private industry. Nevertheless, this study singled out the state airline business as performing rather better than the average private enterprise concern, attributing this to the relative freedom from government interference enjoyed by a business strongly exposed to international competition. The study was completed before the Concorde airliner was imposed on British Airways.

Where, perhaps, the critics are often unfair to the nationalized industries, however, is in their assumption that they could be just like private enterprise if they had not somehow toppled into the grasping hand of the government and been ruined. If only they could be run on purely commercial lines, all would be well. What this line of argument omits is the reality that several of the basic industries came into public ownership simply because they could no longer continue within the framework of private ownership.

Indecent Eagerness

The coal owners sold out their interest to the state with an almost indecent eagerness after half a century of losses, and no country in the Western world has discovered how to run a railroad and still keep private shareholders happy. How could private owners, without massive strife and huge subsidies, have run down the labor force in coal from 765,000 to its present level of 248,000 and the railroads from 673,000 to fewer than 200,000?

The real complaint against the existence of Britain's large public sector is that with such an accumulation of economic power in their hands, governments are reluctant to leave managements to get on with the job of running the state industries. They continually interfere at every decision point—manning, investment levels, pricing policy, planning strategy, wage fixing. Arguably, as politicians they are bound to do so, having been presented with such a powerful instrument, but the system they have devised for intervention owes more to private arm-twisting than to public accountability.

In the end, the executive gets more power at the expense of the House of Commons (MPs are strictly confined in the questions they may ask about state industries) and consumers (whose interests are supposedly safeguarded by lapdog "consumer councils").

Under the nationalization statutes, ministers have the right to lay down policy by issuing a directive to a chairman. It is a device that is rarely used and is fraught with political danger, for the chairman may challenge the minister by publicly expressing his disagreement. Governments prefer other, more subtle pressures to get their way.

For example, the "national interest" may be invoked, as it was by the Heath government between 1970 and 1974. In return for subsidies, the state industries pegged their prices during a period of rapidly accelerating inflation. The consequence has been a string of enormous deficits, followed by massive price increases—rail fares, for example, have doubled within two years—as the succeeding government scrapped that policy, ran down the subsidies and ordered a swift and painful transition to reality.

Another notorious case concerns British Steel. The corporation has been unable to carry out its much-needed modernization program because the government, backing the apprehensive trade unions, who stand to lose 40,000 jobs, has stepped in to halt the closure of many antiquated plants. On a 10-year program, delays of two years or more postpone implementation to a point where the planning assumptions themselves are no longer valid, which means that the industry must return to square one and start all over again.

The plight of the steel industry illustrates another trait among politicians. Plans for new installations have to be made not simply on the board's commercial judgment but on social-cum-political grounds as well. Thus, Scottish and Welsh MPs exert pressure on ministers to ensure that their regions get a "fair" share of new investment, and the allocation of a £200-million investment might well turn on the governing party's prospects in an election.

Again, the chairmen of the nationalized industries are appointed by their "sponsoring" ministers. Sir Monty Finniston, the peppery chairman of British Steel, has had several public fights with ministers. As his five-year term of office draws to its end, it has been announced that he will not be reappointed. Sir Richard Marsh, chairman of British Rail and himself a former Labor minister of transport, has fought most of his battles with the government behind closed doors.

But he can read the writing on the wall and has announced that he will not be seeking reappointment when his term ends in September. Sir Derek Ezra—becoming chairman of a nationalized industry is a certain way to a knighthood—who is chairman of the National Coal Board, has just had the humiliating experience of learning from a press leak that Mr. Benn had been seeking advice from the mining union and other interests on who should succeed him. In the event, Sir Derek was reappointed, but for three years, not five.

It is easy to see why the chairmen are becoming increasingly rebellious toward their political masters. Irked by a government decision to hold down their salaries to a point well below the rewards available in private industry—presumably to encourage their workers in the ways of wage restraint—they have recently agreed to band together for protection. In time, if they stick together, a countervailing power to that exercised by governments might come into being, but most observers doubt that they will achieve the desired unity. For one thing, they have their own internecine disputes, with coal vigorously lobbying for electricity to be forced to build more coal-fired power stations, electricity complaining that gas prices are held artificially low and the railroads perennially quarreling with coal over demurrage charges on rail wagons.

For a subject that has been debated for so long and so intensely, there are remarkably few new ideas for the future of the nationalized industries. Mr. Benn, while conceding that it is a subject that is unlikely to inflame passions across the land, wants a national discussion around the framework of decentralization, worker participation in management, a bigger say for the consumer, and more openness in the relationship between ministers and the chairmen who run the industries. Michael Heseltine, the Tory spokesman on industry, unlike some of his predecessors and, indeed, contemporaries, accepts the need for government intervention in industry, even for "social" reasons. What no one seems able to do is reawaken the idealism of 30 years ago, when these industries were to give a new, modern Britain, cured of the bitterness of the past.

Maybe the commanding heights have been conquered, but up here on the summit everybody seems rather bemused, and not a little disappointed.

Peter Paterson is a political and industrial commentator.

New Chairman Girds Stock Exchange for Political-Economic Crisi

By Andreas Whittam Smith
Editor, Investors Chronicle

LONDON (IHT).—The London Stock Exchange has a new young chairman. I place this item first because the personality and abilities of the chairman are very powerful influences on Stock Exchange policy. Also because what the financial community in Britain needs now more than anything else is good leadership since it confronts an economic and political crisis.

The new man is Nicholas Goodison. On his appointment, he announced that his main long-term aim was to educate the public in what the Stock Exchange role is in the economy, how vital it is to encourage savings and to insure that the central securities market cooperates as widely as possible with other parts of the capital market.

In other words he sees that regaining public acceptance for the key role which the Stock Exchange plays at the heart of a free market economy is the most important task.

This is why the first big policy matter that comes up in Mr. Goodison's reign is a difficult one. It concerns proposals to set up an exchange for trading in options, modeled on the lines of the Chicago Board of Options Exchange. There is only one disadvantage. The creation of an options market would make the Stock Exchange appear to the man in the street as more speculative, more frivolous than it actually is.

The whole issue is a complex one. By the end of May the Council of the Stock Exchange will have to decide whether to join forces with the Dutch authorities, who have proposed a two-floor European exchange, with Amsterdam and London as the twin centers, or whether to go it alone—or do nothing. The expectation is that London will form a partnership with Amsterdam.

London jobbers, in particular, are keen to see such a market for it would, they believe, create a great amount of new business. It is not every day that a London jobber finds an opportunity for expansion. In the same way the brokers would benefit, and so would the big investment institutions for an options market would allow them to hedge part of their often large and unwieldy holdings of stock in individual companies.

There would be some technical problems to be resolved. How exactly would the clearing house which would issue the options operate, particularly in regard to currency fluctuations? How would the tax authorities treat the capital gains on options?

There is another question, however, which throws into focus the question of public acceptability. Would the establishment of a market in traded options in any way improve the mechanisms for financing industry and trade? The answer, of course, is that such a market would add very little to the sheer efficiency of the capital market. If you are to have a good primary market, you certainly need a decent secondary market. But that is all. You do not need an options market as well.

If the establishment of a market in traded options is seen as one of the most promising ways of increasing the amount of business transacted by member firms of the London Stock Exchange, the question of the scale of commission charges looms almost as important. A new tariff has recently been agreed upon not only after a period of considerable discussion within the Stock Exchange itself but also following a difficult encounter with the Price Commission, which in Britain has to review all price increases.

Stock Exchange members were surprised to find that their price rises needed approval in the same way that, say, a manufacturer of dog food does; but it is so. At all events, the Stock Exchange sent in its application to the Price Commission only to be told to come back with more elaborate and up-to-date figures. Finally the Price Commission gave approval for revised commission charges providing that there was no increase in excess of 25 per cent in the commission scale for gilt-edged securities. The overall effect of the changes will be to give brokers just over 6 per cent more revenue on average, of which just over half will come from increases in commissions and the remainder will arise out of savings on commission sharing.

To some, the incident with the Price Commission and a subsequent episode in which there was a rushed reshuffle of some of the exchange's senior public and press relations staff give an impression of inefficient management. This, I believe, is an unfair conclusion. Ever since a full-time chief executive [illegible] pointed at the beginning [illegible] to work alongside the ch[illegible] and council elected by [illegible] the London Stock Exchang[illegible] been steadily moderni[illegible] procedures. Mr. Goodis[illegible] give added impetus to th[illegible] ment. The London Sto[illegible] change is no longer an [illegible] club, existing solely for [illegible] efit of its members. It [illegible] ing a modern marketplace

Mining Venture's Failure May Reflect Euromarket's Maturity—or Past Mistakes

By Christopher Fildes

LONDON (IHT).—It is typical of the Euromarket's luckiest year that its major casualty should have fallen outside the markets and among the clients. That short straw was drawn, four months ago, by a group of the world's biggest mining and exploration companies—they include Standard Oil of Indiana, Anglo-American, Mitsui and Charter Consolidated. The markets have made them say *au revoir*, if not goodbye, to $200 million.

These were the partners in a huge new copper mine, Tenké Fungurumé, and the $200 million was what they had sunk in it when, in January, they agreed to suspend development. In fact, they had no choice. To bring the mine into production was going to require at least another $400 million, and that in turn meant tapping the markets. The partners' bank—one of the world's big three—set off to raise a $227-million credit. It could not be done.

There was, of course, nothing wrong with the bank, or with the mining partners. There was nothing much wrong with the mine—costs were over-running, the political background was darkening, the copper price was looking flat; but mining companies and those who finance them have lived with such troubles before. What sank Tenké Fungurumé was an accident of place. It happened to be located in Zaire, and by the time the Tenké Fungurumé credit was offered around the market, Zaire had used up its credit.

That was as near as the markets came to a unanimous verdict: There was enough trouble over Zaire's existing loans without buying another $227 million worth. But in drawing a moral from that verdict, bankers are divided. What might be termed the approved moral is that Tenké Fungurumé shows how the markets have matured; what the comptroller of the United States calls "a new generation of prudential bankers" stepping back from a cliff when their predecessors would have walked on. The alternative reading, to be heard argued with equal force, is that it is a disgrace to the Euromarkets not to be able to finance a good project because of the legacy of bad financing in the past.

Another Fall?

To choose between those schools of thought is, in effect, to pass judgment on the markets' year. Busy and prosperous it has certainly been, beyond all expectation. But how has it been a soundly based recovery, and how near is the market to riding for another fall?

It is something to be able to ask that question; few would have forecast it, back in the early days of last year. The markets were then trying to pick themselves up after a series of banking losses and failures, of which Herstatt was only the most spectacular. With the world heading for the trough of its worst postwar recession, the best that the markets could hope from their customers was that most of them would survive.

But if the demand for money looked poor, the supply (so ran the conventional wisdom) would be good to the point of embarrassment and beyond. Wave after wave of oil money would flow resistlessly into the banks, overwhelming their capital bases. U.S. Treasury Secretary William Simon had been telling the International Monetary Fund that the banks could handle what they would get and, old market hand as he is, was dubbed impractical for his pains.

The conventional wisdom was promptly made to look foolish. The demand for oil proved, after all, to be price-elastic; and the producer states showed an ability to spend their enhanced incomes worthy of a private citizen. Indeed, Iran has become a major and popular borrower in the Euromarkets, while Oman met a serious cash-flow problem and had to call on London merchant banking advice to sort matters out.

It is also fair to say that the oil states' fund managers have shown a responsibility and a sophistication to which the market pays tribute. Fears that their surpluses would simply mount up as call money on the books of a few huge banks, or wash wildly round the market, have proved unfounded. In fact, oil money is out at a wide range of maturities; and its managers' nerve has held on occasions when others' has failed.

Still, it was clear from the start that, with savings ratios high all round the world, the markets faced problems not of supply but of demand. What astonished most observers—and participants—was the pace at which demand picked up. In the early months of last year, the market took fire, and it has been blazing ever since. Recent figures from the Kredietbank of Luxembourg—by some yardsticks the most active Eurobank of all—suggest that the first three months of this year broke all the international bond market's records.

Who, then, came to the markets for money—at a time when big corporate borrowers the world over were holding low inventories and cutting back investment? Answer: those who needed the money most—the countries which the current jargon labels "non-oil-producing LDCs" (for less developed countries).

Morgan Guaranty Trust figures show these borrowers as having taken 41 per cent of Eurocurrency lending in 1975 and 37 per cent in the first quarter of 1976. Why they need the money is apparent. It is they who, in effect, are having to finance the oil states' surplus. For it is the industrialized economies which have gained from the dramatic increase in the oil states' imports, while the primary producers have stood helplessly by. There seems no limit to what a newly rich country can spend on civil engineering or on defense—but to rice or coffee and, in the short run, to metals, this does not apply.

Worst Risks

But if it is clear why the LDCs should want the money, it is less clear that they can all of them afford to borrow it. There has been no default. But the market has found itself faced with requests for "rescheduling." Interest payments have run late, or have been, perforce, "rolled up" by the banks. And now Peru has suggested that at the UNCTAD conference in Kenya next month, the world's 70-odd poorest countries should consider jointly declaring a moratorium on their foreign debt. If that does not, so far, look like practical politics, the mere mention has been enough to send shivers through the market.

The positions of LDC borrowers vary widely. If Zaire and Argentina are the names which most frequently cause bankers to cross their fingers in public, they may not necessarily prove the worst risks. After all, Zaire, if its domestic financial affairs are in a muddle and its communications blocked or menaced, is still genuinely rich in resources; and lenders to the country have the satisfaction of knowing that the international agencies are in there with them.

Again, if Brazil may have to repeat its last years' borrowings simply to finance the interest and repayments due this year, it has sufficient financial sophistication and control over its economic destiny to do so.

Not all borrowers, though, could be paid either class of compliment. And there are others again, possessed both of financial sophistication and of real resources, which represent a risk of another kind—a political risk. With some the threat is internal—examples, perhaps, in North Africa; with others, external—as in southeast Asia. These are the hardest risks of all to assess, though the Eurobanks, dauntlessly preparing the most elaborate checklists, do their best.

So the market, in effect, now faces the consequences of its willingness to increase its exposure on the risks of lending to LDCs. Its two other major areas of exposure have been with it throughout this last year. They are real estate and shipping.

It is a long time since the Eurobanks voluntarily increased their exposure to either. They have been hanging on and hoping for better things—so far, without much reward for hope. The trouble with real-estate finance echoes the continuing troubles of U.S. banks on their domestic lending, and it remains more of a threat inside the United States than outside. But a number of credit arrangements of real estate investment trusts (REITs) have reached the point of "reconstruction" or "rescheduling" in the Euromarkets, and much bitterness has followed. To be plain, some banks in Britain and Europe are now accusing their transatlantic opposite numbers (and financial partners) of using their local knowledge to go while the going was good—of being content to pull up the ladder and frame gestures of regret to those caught below.

Many bankers, though, regard this REIT exposure as being past the worst. They would like to say the same about shipping—but the fact is that no one (except, possibly, a handful of central bankers) has any idea what the market's exposure on its shipping loans is. Little of this finance was done in the form of published and syndicated credits. Instead the bankers took it on, one ship at a time and often one bank at a time.

Any one bank, asked about this now, will happily call it someone else's worry: "No, we don't have any tankers, we only [illegible] best names, we only [illegible] cargo, we have full secu[illegible] credit is so constructed [illegible] buck stops with the [illegible] down."

It is apparent that the [illegible] of the shipping financ[illegible] coincided with the last [illegible] up new banks or bank [illegible] in London. There is [illegible] evidence that some [illegible] banks, for fear of having [illegible] the boat, suffered the [illegible] misfortune of catching it [illegible] agers have moved, [illegible] have been revalued, some [illegible] tions are no more than [illegible] But the figures are [illegible]

That seems a good [illegible] But even those assuranc[illegible] a long way to go—given [illegible] building capacity which [illegible] hangs the tanker mark[illegible] given, too, that the oil [illegible] have plenty of empty [illegible] their own before they put [illegible] the way of the independ[illegible] whose fortunes the banks [illegible]

The hopeful elements [illegible] market say that in this [illegible] the shipping and real est[illegible] have been recognized and [illegible] as possible, contained—[illegible] that is a process which [illegible] go on. As to the LDC risk [illegible] said that when the up[illegible] world trade really comes [illegible] to commodity prices—not [illegible] those which can be boo[illegible] guerrilla warfare betwee[illegible] mines and the ports—[illegible] whole economic basis for [illegible] loans will change for the [illegible] and meanwhile the mark[illegible] shown it knows where [illegible]

Christopher Fildes is Editor of the Evening [illegible] London.

The Domestic Bankers Feel Their Worst Crisis Is Over

By Anne Segall

[...]ON (IHT). — Two years [...]er it first started, in De[...] 1973, the worst financial [...] Britain's history is still [...] its way through.

[...]e last few weeks alone, [...] major British property [...]y, Amalgamated Invest[...] Securities, has failed. [...] a group of about 50 [...] and foreign banks a [...] £124 million not all of [...]re they confident of re[...]. The luckless First Na[...] Finance Corp., having [...] won the wooden spoon [...] £144 million of provisions, [...]mitted to £10 million [...] that the clearing banks [...]ave lent it the money to [...]at are in turn having to [...] possible losses on FNFC [...] million. That is just one [...] factors causing a 15-per- [...] average fall in the 1975 [...] profits of the Big Four [...] following the 8-per-cent [...] year before plus special [...]s of £158 million over [...]-year period.

[...]mplete the latest instal[...] this seemingly endless [...] woe, the Crown Agents [...]d to ask the British [...]ent to top up the £80- [...] grant received in 1974 [...]ames Guaranty, another [...] financial concern, has [...]ut into liquidation in [...]at dubious circumstances.

[...]hen are the British bank[...]orities arguing that the [...] over? They have two [...]n their favor. The first, [...] situation is under con[...] that the domino effect [...]any feared could engulf [...]re British financial sys[...]luding the clearing banks, [...]n avoided. The second, [...] keeping the whole situa[...] doused, London's repu[...]'s an international finan[...]ter and the Bank of En[...]own authority have not [...]amaged unduly, a fact [...]t by the high proportion [...]currency business which is [...]nsacted in the City.

[...] foreign banks, except [...] which actually got their [...] burned, are ignorant to [...] of just how serious the [...]ally was.

[...]redit, Blame

[...] for that goes to the [...] England which, if some[...] blame for allowing the [...]ns to exist that ultimate[...]d the crisis, has at least [...]d itself by preventing its [...]lly more disastrous con[...]s. In December, 1973, [...]e collapse of the "fringe" [...] concern London & [...] Securities, subsequently [...] of fraudulent practice in [...]tment of Trade and In[...] report, caused a run on [...]ndary banks, the Bank [...]and promptly launched a [...] rescue operation, for a[...]anks known as the "life[...]operation.

[...] against their will, it [...]ed the clearing banks to provide those applicant banks which appeared to be viable with the funds necessary to keep them in business. Ultimately, the "lifeboat" put up £1.3 billion for around 30 institutions, with the Bank of England chipping in 10 per cent of that and taking on any extra burden itself.

The trouble is that while the Bank of England has managed to stave off the worst conse*quences of the British banking* crisis, it has not been able as yet to eliminate its root cause, the *collapse of the property market.* Not only are property values stubbornly refusing to recover, excep. at *the very high quality* end, but the time element is becoming a serious problem in itself because many property owners and developers are clocking up interest charges in the meanwhile.

With interest costs mounting up at an average of 12 per cent a year since 1973, the equity cushion which some companies have managed to retain in spite of massive write-downs of property values is being continuously eroded.

Insufficient Assets

Even where property companies *have already gone into receiver*ship or liquidation, the difficulty of actually off-loading the prop*erties involved means that bank* creditors are having to fund loans which not only have insuf*ficient assets to cover* them but on which they are receiving no interest either.

There *are other problems. For* while the "lifeboat" operation has been a clear success in *some ways, in others it has not.* Thus, what was at first expected to be a short-term operation with little *risk* involved has turned out to be an extremely protracted and costly affair. Many of the candi*dates* which seemed healthy when they were originally accepted into the "lifeboat," like FNFC, Burston Group and Triumph Investment Trust, were found much later to be suffering from a serious deficiency of assets.

These firms had to be either put into receivership or liquida*tion or*, as in FNFC's case, have been virtually taken over by the clearing banks and are being run *down gradually over a* period of years. It is estimated that the clearing banks may have already *lost* about £150 million on the "lifeboat" operation and some of them feel, not without an element of bitterness, that their own financial health has in consequence been somewhat undermined.

It is certainly the case that over the last few years the clear*ing banks' retained profits* have not kept pace with the growth in their deposit liabilities, so that in spite of "rights" issues by Midland Bank and Lloyds, their capital ratios have tended to deterio*rate. This could make it difficult* for them to meet the upturn in demand for industrial loans when it eventually comes, especially as they still have about £900 million tied up in the "lifeboat" operation, and could do so for several years to come.

That, perhaps, is the most disheartening aspect of the "lifeboat" operation. Originally, the authorities hoped that by showing their determination to prevent depositors from losing any money, they would restore confidence to the money markets, so enabling lesser but nevertheless sound banks to raise funds independently once more. They even helped a worthy "lifeboat" client, the finance house Bowmaker, stage a very showy, although somewhat artificial "recovery" in order to boost general morale, by converting a large chunk of its support money into a medium-term commercial loan.

The tale, while no doubt a happy one for Bowmaker itself, did little, however, to restore general confidence and it is beginning to look as though some companies, for example United Dominions Trust, which owes the "lifeboat" £450 million, will never be able to stand on its own feet again.

Attempts to find large outside buyers with easy access to deposit funds have also been surprisingly unproductive. Hardly any foreign banks, not even the U.S. banks which were at one time so keen to develop retail banking operations in Britain, have shown much interest in picking up ready-made companies, even at what would be pretty knock-down prices.

The only exception is Algemene Nederland of Holland which bought up Northern Commercial Trust, though only after it had managed to discard Northern's troubled property portfolio. Chase Manhattan also wanted to buy half of FNFC's reputedly sound consumer credit subsidiary, but gave up when the necessary consent of the U.S. Federal Reserve Bank was withheld.

*The failure of the money mar*kets to recover, coupled with the much tougher regulatory environ*ment which now exists,* means that the era of secondary banks is well and truly over. In some ways that is a pity because a reasonable measure of competition is healthy for any industry, the banking industry not excepted. Fortunately, the competition from U.S. banks like First National City Bank and First National Bank of Boston, which have developed their own detail banking networks, through so-called "money shops," will insure that the clearing banks do not fall back altogether into the sleepy oligopolitic ways for which they were so sharply criticized in the 1967-1978 Mono*polies Commision* Report and also by the Select Committee on Nationalized Industries in its *first report, in 1970.*

Even more worrying, perhaps, than the demise of the secondary banking sector is the damaging effect which the events of the last two years or so have had on the merchant banking fraternity. Almost every merchant bank, with the possible exception of Warburgs and Rhea Brothers, was taken in to some degree by the euphoria of 1971-3.

The clearing banks, on the other hand, have remained aloof, the Midland having already bought Samuel Montagu and the Drayton Corp. as the basis of its merchant banking operation three years ago and the others still insisting that they prefer to build up their own in-house merchant banking capabilities. They have done so, moreover, with a surprising degree of success.

For all its less happy aspects, however, the banking crisis of *the last couple of years* has had some salutary effects, particularly on the clearing banks. The spirit *of competition, once* awakened, will probably not die and is showing signs of being diverted into more productive pursuits.

The clearing banks are, thus, now taking a genuine interest in *the whole question of providing* British industry with medium-term finance for investment purposes. They *have agreed to* channel £1 billion to industry through Finance for Industry, a lending institution which they own jointly with the Bank of England. And while industrial lending generally has been very slack over the last year, medium-term lending has apparently increased considerably, so that it now accounts for about 30 per cent of all clearing bank advances to the manufacturing sector.

Barclays, which has been particularly active in this area, claims that if one counts export credits made available under the government guarantee system, it alone has provided £1 billion to industry by way of medium-term finance. The clearing banks have also supported the Bank of England's controversial proposals for an Equity Bank, a bank which would collect £500 million from British investing institutions, such as the insurance companies and pension funds and would then channel it to industry in the form of investment capital.

Too Dominant

If anything, the real danger at the moment is that the clearing banks could become too dominant in the British banking system. That would not only be bad for the system itself but could make them increasingly vulnerable to doctrinaire calls from the British Laborites for nationalization. Another such call was in fact made a few weeks ago by the Labor party Home Policy Committee.

On the other hand, if the Laborites could be made to appreciate the folly of direct nationalization and concentrate instead on building up a public sector alternative to the clearing banks, *the system as a whole* would be well served. For one of the developments which has gone largely unnoticed over the last couple of years but which could be of great significance long-term is the surprisingly successful development of Giro and the Trustee Savings Banks, both publicly owned financial institutions.

Equally significant has been the growth of the banking arm of the British Cooperation Movement, which could in time provide the third leg of a strong but, at the same time, competitive tripartite British banking system.

Anne Segall is Banking Correspondent for The Economist.

The City's Prosperity in International Finance

By Hamish McRae

LONDON (IHT).—One of the things that astonishes observers of the City of London is the way in which London's international banking business has continued to flourish despite (perhaps even because of?) the gradual relative decline of British industry, and the chronic weakness of the pound sterling.

To its competitors for international business, London's financial *service* industry is an efficient provider of competitive products —be they Euroloans, international insurance or shipping services. In Britain, the City appears in a rather different light—hence current discussions as to whether the stock exchange raises sufficient funds for industry, whether British banks offer adequate medium-term credit, or whether British insurance companies offer the customer at home as good a service as they extend to foreigners.

This debate about the role of the City and its relevance to Britain's economic problems touches international banking in two places: the wisdom of the rapid and expensive move of the clearing banks into international business over the last few years and the costs to Britain of allowing the City to continue as an off-shore banking center, isolating all its Eurocurrency business from pound business. Put crudely, the first point boils down to the question: "Why should the clearing banks spend money on building up services to Californians when British industry needs money to re-equip itself?"

The corresponding question on the second point is: "What good does it do Britain to have the Euromarket based in London if it siphons off the best talent into making loans to build steel mills in South America?"

Blunt Answers

There are of course equally blunt answers. One can point out that international banking now requires a network of foreign offices. To be able to offer domestic customers a good service you have to have branches in the main financial centers around the world. One can look at the invisible earnings of banking—the latest available figures, for 1974, show that the balance of payments benefited by a net £182 million thanks to international banking earnings. Or one can simply point out that the biggest single borrower on the Euromarket was none other than the British government.

These facts will probably insure that international banking will be continued to be allowed to grow in the relatively free environment it has enjoyed up to now. But it would be wrong, when looking at the way the business has weathered the recession, not to *be aware of* the political background to its present relative success.

Of its shape at this stage of the recession? Well, there have been a number of casualties, but *it is fair to* say that the international side of banking is not only now in far better shape than it dared to hope, say, 18 months ago, but that the casualties have been less spectacular than those of domestic banking.

There are two separate branches of the international banking business, the overseas activities of British banks, and London-based business, mainly, but not entirely, on the Euromarkets. The main themes of the first during the last year or so have been the continuing absorption of the old British Overseas Banks into the mainstream of British banking and the gradual expansion of the clearing bank overseas interests.

The main interest of the second has been the vigorous way the Eurobond market has recovered and the more muted performance of the syndicated loans market.

Anachronism

The British Overseas Banks have long been something of an anachronism, for they were set up to provide the empire (and some other areas of British commercial interest) with retail banking services. Most of these retail branches still exist, providing the basis for a worldwide banking network. But they are, from a commercial point of view, now in the "wrong" places, the rural Third World rather than the cities of the industrial West.

Faced with this, the overseas banks have had the choice of remaining independent but staying outside the mainstream of international banking, or losing their independence within a clearing bank. The old Barclays DCO was wholly absorbed into Barclays as Barclays Bank International. Bank of London and South America became Lloyds Bank International. National Westminster put its rather smaller Westminster Foreign into International Westminster and all three banks have been slogging away building up branches in the "right" places—particularly in North America and Europe.

There are now three main question-mark overseas banks: Hong Kong and Shanghai Bank*ing Corp., Standard and Chart*ered Bank, and National and Grindlays.

Hong Kong has remained independent to the point of transferring its headquarters from London to the *last British colony* and its future is inextricably tied to the future of Hong Kong. Standard and Chartered is still attempting to digest the merger about 7 years ago between Stan*dard Bank and Chartered Bank,* but the main question mark here is the bank's relationship with *Midland* Bank.

Increased Stake

Midland increased its stake in Standard and Chartered last year *from 4 per cent to nearly 16 per* cent, a move which—to outsiders at least—only made sense if Midland intended ultimately to take control. Midland has suffered from its lack of direct overseas offices; it has a 21-per-cent interest in European-American, the largest foreign bank in the U.S. But its policy of carrying out international business through its relationship with its European-American partners has not brought it the benefits of the *foreign offices* of, say, Barclays International.

And finally there is the peculiar position of National and Grindlays Bank, 49-per-cent owned by Citibank, with Lloyds holding 44 per cent of the holding company that in turn has the other 51 per cent of the bank. The sad tale of Grindlays—massive losses over the last two years —points to the inherent problems the overseas banks can face if they continue to operate independently.

Retail Services

In fact, it has been problems in London-based business that have caused the trouble, for Grindlay's overseas operations, mainly in India, have continued to be profitable. Whether the bank would be viable simply pro*viding retail services* to the Indian subcontinent is another matter.

As for the Euromarkets, the *success story first*: At the end of 1974 it was conventional wisdom that the Eurobond market was finished, or at best that though it might carry on in some limited form it would never recapture the exuberance of the late 1960s. There were a host of reasons advanced for this: The poor secondary market, the competition from New York now that the IET had been lifted, the fact that investors no longer wanted bonds, the international shift away from personally provided funds to bank-sourced funds, and so on.

All predictions have been utterly confounded. Total issues went from $3.5 billion in 1974 to over $12 billion last year—this in the worst depression since World War II. The quality of borrowers remained high, New York was beaten off, the secondary market boomed. For London there was only one trouble: the Eurobond market gradually slipped out of the City's grasp.

With British investors denied access to the market except through the dollar premium, it has always been surprising that any British underwriters should remain among the leading Euro*bond* issuers. But whereas five years ago there would be at least three London-based issuers among the top 10, last year one just squeaked in. Secondary trading continued, but here there is anecdotal evidence at least that London-based traders lost ground to Continental ones.

Minority Opinion

There are two views in the *City* as to whether the loss of ground in Eurobonds matters. The ma*jority opinion seems to be that it* does matter a great deal and that the ground lost will be lost for good. The minority view—and the fact that it should be minority is itself a comment on the City—is that Eurobonds were always peripheral and that maintaining the syndicated loans mechanism is much more important.

The loans market, which is still *solidly* in London, fell *from* a record $29 billion in 1974 to rather over $20 billion last year. If this was disappointing, perhaps more worrying has been the relatively poor quality of borrower, relative, that is, to the bond market. Non-OPEC developing countries increased their share of the loans from 21 per cent to 41 per cent—a welcome contribution to the problems of the Third World, but some cause for concern among bankers.

Tacit Assumption

This year at least spreads have widened somewhat and the EEC-backed Italian credit has brought the market back into the "balance of payments lending" game. But the *tacit assumption of* most Eurocurrency bankers is that the market will have to content itself with project finance rather than the massive credits to industrial countries that followed the OPEC price rise. Maybe that is no bad thing.

Finally, it has to be admitted that last year was the first year when the number of foreign banks in London actually fell. This is largely because of amalgamations and the total of 244 banks with direct representation in the City compares with 170 in New York. But the City does rely massively on the foreign banking community to provide the international services. Nearly 74 per cent of foreign currency lending is by foreign banks.

Perhaps the important figure *for critics of the City* both in Britain and outside is that one. Three-quarters of the splendid *international* banking industry is foreign. It will doubtless stay in London while London welcomes it. *So far the Bank of England has* made sure that London does, but in the future?

Hamish McRae is Financial Editor of The Guardian.

Aerospace Industry Is Thriving in the Air, Has Woes on the Groun

By David Fairhall

LONDON (IHT).—An aerospace industry that can help produce the world's first supersonic airliner, its only operational jump-jet, a three-shaft turbofan as beautifully conceived as the Rolls Royce RB-211, or an electronic package as efficient as the Marconi-Elliott head-up sight, is evidently not lacking ingenuity. And its competitive strength is demonstrated by the fact that the last three products are currently being exported to the toughest market in the business, the United States, helping to bring total exports for last year to more than £800 million.

But over the next few years, the British industry is facing some structural and managerial problems of a kind it usually finds harder to solve than purely engineering ones. The immediate question is how to reap some benefit—if there is any to be had—from the nationalization of its major airframe and missile groups that will be imposed on it later this year.

The underlying problem has been around for a long time: how to find a stable relationship with other aerospace industries in Europe and the United States as the vast scale of modern airframe and aircraft engine programs makes collaboration increasingly necessary, if not always desirable. Both issues—nationalization and the pattern of international collaboration—are complicated by the urgent need to find successors to the civil aircraft that are currently occupying a large part of the work force.

The Concorde supersonic airliner alone employs more than 20,000 persons in Britain, but that production line could come to an end in 1978 when the 16th aircraft is completed. The subsonic One-Eleven and Trident airliners are also nearing the end of the line, at least in their present form.

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Indifference, Opposition

The government's proposal to nationalize the main airframe and missile companies has been opposed from the start by the representative Society of British Aerospace Companies, even though the possibility of a commercial merger was already there. Individual management reaction has varied from gloomy indifference to bitter opposition. Some of those most annoyed by the takeover are component suppliers who are not immediately affected but fear that they will sooner or later be swallowed up by the state-owned giant or squeezed out of business by its monopoly.

Trade union leaders have reacted variously, according to their political commitment, the way they see reorganization affecting job security, and their belief in the industrial democracy on which Anthony Wedgwood Benn (the left-wing architect of the nationalization plan) set so much store.

The right sort of nationalization might help the industry at this stage. But perhaps the most fundamental argument used to support state ownership is that an industry so heavily dependent on public finance—through military programs, through Concorde and through launching aid for many smaller projects—should be directly accountable to the taxpayer.

Assuming the parliamentary bill goes through this summer, the new structure that will emerge in the autumn will be as follows:

- A nationalized British Aerospace Corp. comprising the present British Aircraft Corp., Hawker Siddeley Aviation, the missile subsidiaries of these two big airframe groups, plus Scottish Aviation;
- Short Brothers, a government-controlled offshoot in Northern Ireland;
- Westland, a major manufacturer of helicopters;
- Rolls Royce (1971), the single aero-engine group;
- A large number of components manufacturers that includes names like Marconi-Elliott, Smiths, Dunlop, Ferranti and Plessey.

The industry does not deny its heavy dependence on public finance, although it would argue that the general taxpayer has usually benefited from the government's levy on profits, through export revenue and the stimulus which advanced aerospace technologies give to the rest of the economy. What worries many is the prospect of day-to-day managerial interference from civil servants in Whitehall.

Mr. Benn expressly denied any such intention when the bill was being drafted. The government was merely concerned, he said, to exercise the sort of strategic direction that its financial commitment warranted and to inject national priorities when occasionally appropriate. But leading manufacturers, notably Sir Arnold Hall, chairman of Hawker Siddeley, evidently do not believe these assurances. Indeed no one with experience of the clumsy way some—though by no means all—nationalized industries in Britain have been run would take them simply on trust. Experience will tell over the next few years, when the new corporation faces hard choices between competing projects, between job preservation and efficiency, and between potential partnerships abroad.

Among the most solid rocks on which the restructured industry can be founded is the collaborative program to build more than 800 Tornado Multi-Role C Aircraft with West German Italy. It is managed by Pa an international consorti which the British particip BAC.

In military terms, the ai is a compromise. U.S. firms ing to break up the consorti the early stages made mu this apparent weakness. But recently the U.S. governme not its industry, has reco the value to NATO of ca through a standardized w program on this scale and off the dogs. In spite of awkward snags with the ad ed, specially built RB-199 e joint development has gon and full production is about authorized.

The Tornado's design em from an attempt to crea even broader partnership a half a dozen NATO air following cancellation of Br TSR2 long-range bomber tion of the alternative U.S. and the decision by France denly to pull out of an French project that would closely resembled the Torna

In fact, France seems to found the cost of going it on military aircraft incre prohibitive. The hope no ticularly since it failed to off the "arms deal of the tury" with its Mirage, is t will be prepared to join B and Germany in future coll tive ventures. The RAF is al thinking about the eventu placement of its Harrier Jaguar ground attack a with a design that can cope that role and the air comb which the Tornado's air d variant has insufficient and agility. For political an dustrial reasons, it will look to Panavia, preferably French participation.

The Jaguar is itself the uct of successful Anglo-F cooperation, which has also fruitful on the helicopter sid tween Westland and Aé tiale. The Harrier vertical off aircraft is built by H Siddeley, which in this and military programs (the N maritime reconnaissance je the Hawk trainer) has rem somewhat aloof from Euro

When the A-300 Europea bus was proposed, howev plunged wholeheartedly int collaborative venture only left stranded—although wi profitable sub-contract to d and build the wings—whe British government pulled There are still hopes on thi of the English Channel British participation may t vived by installing the Royce RB-211 in a B-10 vers this beautifully engineered seater.

Industry Prospect

On this civil side, the B industry's prospects are neit clear nor as encouraging as t military one. BAC is still ing the short-haul One-E airliner, but with limited for its development. Short the new SD3-30 commuter craft, as usual skillfully ta to the Belfast firm's cap Westland's Lynx helicopte attractive civil applications apart from the A-300B, H Siddeley has the Trident building for the rapidly ex ing Chinese airline—and an utive jet with good market tration in the United States the new project on which pinned many hopes, the H jet feeder liner, is no more a mock-up under a dust she the corner of the Hatfield fa

It might not even be the for a feeling that since the design formula was right that the nationalized co would be looking for new pro it might be revived once worst of the inflationary oil which killed it had passed. is dusted off, it may well be posed as a collaborative pr with the new Rolls Royce R engine, that has just comp its first highly promising tes runs. This is the engine was to have been jointly dev ed with Pratt and Whitney, with the JT-10D, until the Justice Department ruled ag it.

But if the government go Europe with such a packag will face a dilemma that bedevilled similar negotiatio the past: by the time the eng manufacture has been alloc to Britain, the work sharing w leave precious little for sections of the British indu

Last, but by no means lea course, there is Concorde, which both BAC and Rolls R are heavily committed with French. One in 10 British space workers are currently volved in this massive un taking, keeping the produ line ticking over while its fu is debated internationally by yers, scientists, noise-sens politicians and even a few air operators. It could survive an come a commonplace of avia It could be brought to a halt which case a big gap will opening up in British aeros around the end of next year.

David Fairhall is Defense Air Correspondent for The Gu dian.

The Construction Sector's Recovery Fight

By Victor Keegan

LONDON (IHT).—Britain's $23-billion construction industry is feeling mildly aggrieved. At the end of last year, the government proudly announced a new industrial strategy under which 30 sectors of industry—representing about 60 per cent of manufacturing output—were to be given special attention. The aim of the exercise was to expand the country's shrinking industrial base. Every industry which counted for anything was included in the list—except for one: construction.

Not surprisingly, this angered the elders of the industry who pointed out that if ever an industry needed to be involved in a government planning exercise it was construction since, more than almost any other, it had been subjected to the whims of the government as a means of regulating the economy.

When the economy is expanding so fast that it is becoming overstretched, the first thing that the government does is to cancel public building programs. This forces an artificially large recession in the industry, forcing it to shed tens of thousands of employees. Thus, when the next upturn comes, the industry, stripped of a large part of its labor, finds that it runs into production bottlenecks even earlier than in the previous cycle.

Following representations from the industry, the Minister for Housing and Construction, Reg Freeson, assured the industry that although it had not been selected as one of the 30 special sectors, its "integral role" would be taken into account.

Such consoling words served only to convince the industry of the Cinderella image it has with the government in spite of the unprecedented recession it is currently suffering. In official government statistics it is classed neither as a "manufacturing industry" nor as a "service." Instead, it is lumped together with the mining industry—for no apparent reason—in a category of its own.

The extent of the present recession—the worst for 50 years—is reflected in the latest government figures showing a decline of 6 per cent in output last year (by volume) following a 10 per cent decline the previous year. It is expected that there will be a further decline of 2 per cent this year followed by a smaller decline next year. Thereafter, there is little hope of a substantial upturn since half of new construction work is directly dependent on the public sector (government and local councils) whose expenditure has been frozen by the Treasury until 1979 as part of the government's battle against inflation.

To date, the present recession, which began in 1974, has claimed over 200,000 jobs (nearly 17 per cent of the work force) and more will disappear this year. According to calculations made by the National Economic Development Office (which brings together leaders of government, unions and employers) the trend suggests a continued recession at least until 1978 and it adds that the outlook for employment is "grim".

Depth of Chasm

Although in general terms activity in construction looks more like a chasm than a recession, the depth of it varies from sector to sector. One area which is surprisingly buoyant in the circumstances is house building. Last year, against the downward trend of the economy, building was started on 320,000 dwellings compared with 252,000 in 1974. The number of completions rose from 269,000 to 310,000. Most of the rise in completed houses was due to increased construction by local councils. This in turn reflected the sharp rise in public expenditure which the government is now trying to bring under control.

Forward projections suggest that, under the increasing constraints of public spending, building by local councils will fall back this year and next year while private house building will recover slowly from last year's 145,000 starts to 150,000 this year and 160,000 next year. This will still be below the level of 215,000 private house starts recorded in the boom year of 1974 before the collapse of the era of property speculation, but it is considered to be quite reasonable progress given the near-stagnation of the economy as a whole.

Elsewhere the outlook is much gloomier. Publicly financed (that is, by government and local councils) construction, apart from housing, is expected to show no improvement over the next two years following a steady decline over the last four years. Privately financed building for industry, which fell by 3 per cent last year, is expected to drop by 9 per cent while private commercial construction will fall by 15 per cent this year in spite of a fall of 18 per cent last year.

The slump has already taken its toll of basic supplying industries like brick-making where over 60 factories have closed down since the recession started—20 per cent of capacity—and some of them will never reopen, thereby leaving the industry less well equipped to meet the next upturn, if and when it comes.

There is little doubt that the industry deserves a better deal from the government, its largest customer. No one denies that successive Labor and Conservative governments have used the industry as a convenient means of regulating the economy.

When the going has got tough, roads, schools, libraries, hospitals and houses have been pulled out of the program at absurdly short notice, causing widespread disruption. Equally, when it has suited governments to expand the economy rapidly (often before a general election to vote new MPs into Parliament), public contracts have been conjured out of a hat at a rate so fast that the industry was bound to become overheated with too many contracts chasing too little capacity and skilled manpower.

In response to pressure from construction firms the government announced a special cash boost to the industry last November worth $60 million to alleviate the worst effects of unemployment. Some of the money went toward improving council housing (about $23 million) and the rest to a variety of projects including the National Health Service, education and other small services, like improving fire protection in old people's homes. It was a condition of the assistance that all the projects were short-term and that the money had to be spent by the end of the financial year this month. While welcoming any small contributions, the industry warned the government that the measures would only scratch the surface of a serious employment crisis and that further, more widespread measures are needed.

In a special submission to the Chancellor of the Exchequer before his budget earlier this month, leaders of the industry argued that in spite of the overriding need to contain inflation, the construction industry should be treated as a special case. They argued that although some indicators were pointing to an upturn of economic activity, the position in the construction industry, already critical, was continuing to deteriorate with no light visible at the end of the tunnel. Two specific measures were urged on the chancellor—the provision of improved investment incentives for industrial and commercial buildings and the extension of the zero rating provisions of the Value Added Tax legislation so as to relieve repair and maintenance work from VAT.

Faced with such daunting prospects at home, it is not surprising that British firms are intensifying their efforts to win more contracts abroad and especially from oil producing countries. According to the latest statistics, new orders won by British contractors abroad in the latest available 12-month period were almost 90 per cent above the previous year and the value of the country's order book had almost doubled over the same period. More than half of the orders came from Asia, where most of the leading oil producers are situated.

The government estimates that the whole of the construction industry (including architects, surveyors and engineers but excepting materials) contributed about $400 million to the nation's balance of payments last year, an increase of over 15 per cent on the previous year. There are signs that more and more overseas business is being won by the larger British firms, many of whom now report that over 50 per cent of their work (and often a higher proportion of their profits) is done abroad.

Exports Board

Last August, the government announced the formation of the Construction Exports Advisory Board, whose main task will be to provide a focus for British construction exports and to assist in bringing together the industry's resources to take advantage of overseas opportunities.

More recently, the National Enterprise Board, a body set up by the Labor government to improve the country's industrial performance, has indicated that it is prepared to put together large consortia in order to bid for foreign contracts.

Overseas business is extremely useful, but will not provide a substitute for a strong domestic base, so it is unlikely that the industry will lessen its protestations to the government. Nevertheless, since everyone accepts that the government is constrained in what it can do, the existence of considerable overseas demand for construction work provides an opportunity for British firms to win their own counter-cyclical orders.

Unfortunately, the scope for calling in the New World to redress the balance of the Old is almost inevitably confined to larger firms with the resources to bid for large contracts. For smaller firms in Britain, there is not even a flicker of light at the end of what looks like being a long and foreboding tunnel.

Gro Chemicals Field Anticipates Steady Growth With North Sea Oil

By Peter Rodgers

...ON (IHT).—The British ...mical industry is now in ...tunate position of any in...at-happy OPEC country ...s a large and secure sup... crude oil on the doorstep. ...st any old rubbish, but a ...phur light oil that is per... chemicals and which is ...ely to be exported at a ...n price to other chemical ...cturing countries.

...first reaction of the in... to the North Sea's po... was euphoric, with com... making back-of-the-enve... etches of massive expan... n the North of England ... Scotland, where the main ... l centers already are.

... when they got down to ... all it quickly became clear, ... nd economic and business ... that while North Sea oil ... s are likely to stimulate ... al expansion, they will ... duce a chemicals bonanza ...—with a relatively small ... arket—most of the growth ... ve to come from exports ... already tough interna... market.

... is little point in follow... Middle East custom of ... investment for the sake ... with it that investment ... gluts and kills profits, an ... nt made forcefully by BP ... als. Its main plant at ... mouth, in Scotland, is ... placed on the east coast ... ing North Sea oil, but it ... recently that it had ... illion worth of investment ... dgeonholed.

... effect of the North ... investment is likely to be ... by 2 or 3-per-cent rise in ... wth rate, projected other... about 7 per cent annual... the years to 1980 on pres... vestment plans, which ... and the government want ... up.

... would not be high by past ... an growth rates, but set ... Britain's big existing ... l industry—the fourth ... in the Western world—it ... a lot of new construction, ... es and generation of high... th in many related indus...

... effects will be greatest on ... ic chemical building blocks ... to the oil raw material, ... s ethylene. In the last ... Britain's share of West ... n ethylene capacity has ... from 30 per cent to ... cent, a graphic illustra... the faster growth rates ... Continent.

... ene and its olefine and ... ic derivatives will be the ... ad of a government-

Belinda Wilkinson.

Rowland Wright

encouraged attempt to arrest the relative decline of the heavy end of the industry—which it must be said is not due to a failing of British companies, but to constricted home market growth and a tendency among large and successful companies (of which there are quite a few in chemicals) to invest nearer their overseas markets.

Contrary to initial hopes, there is no chance that the North Sea will bring cheaper raw materials for chemical companies through mechanisms like petroleum tax relief. This absence of special treatment is already assumed by all companies, including the North Sea oil majors—like Shell, BP and Esso—which have chemical subsidiaries, and by ICI, which has 18 per cent of the big Ninian field.

Stimulus

The stimulus to investment must come from the security and proximity of supply and from natural advantages over Continental Western Europe due to a large number of construction sites near deep-water harbors. The long coastline and strong tides may—subject to a drawn-out argument about harmonization of pollution regulations with the rest of the EEC—bring a significant economic advantage. The government has accepted company arguments that natural conditions make it less necessary to spend the kind of money needed, say, on the Rhine to purify chemical effluent. But the European Commission sees that point of view as an erosion of the principles of equal trading opportunity.

There is another important unknown which will influence the future of the industry. The government has not decided its oil-depletion policy.

This will determine how much longer the oil will flow after 1990, well within the planning period of major new chemicals investment. It is conceivable that continued economic crisis might force a quick draining of the reserves, and an early end to the assured supplies on which chemical plant investment attracted into the country would be based.

Planning Period

One of the reasons for recent caution about the stimulative effects of the North Sea on chemicals is the unexpected failure of EEC membership to spur additional investment. The chemical industry was among the most vocal proponents of EEC membership on the grounds that a larger market would stimulate investment. But while an enlarged market had that effect among the original Six, it has not yet happened to British chemicals, and nobody has yet explained why.

Is it some insidious British malaise, along the lines of the devastating analysis of the British economy presented last month by Morley Safer, the CBS-TV reporter? He showed a film of Britain which began with an 1870 textile mill clanking away in a pathetic attempt to fill export orders.

That Dickensian view of Britain is not true of the chemical industry, which is one of the strongest performers in the whole economy, dominated by a multinational and successful British-based giant, Imperial Chemical Industries, which accounts for 40 per cent of United Kingdom chemicals production. ICI was briefly the biggest consolidated chemical company in the world a couple of years ago, but the fall of sterling knocked it from its pedestal.

For the past two decades, British chemical output has grown twice as fast as the manufacturing industry as a whole. Net output per head is nearly double the national average, and the trade balance is positive and growing —a £560-million surplus in 1974 and £770 million last year, with exports of £2.2 billion and imports of £14 billion. The industry employs 5 per cent of the British labor force, but supplies three times as high a proportion of investment.

There has been marked success in coping with the disastrous fluctuations in investment which bedeviled the European industry as a whole in the 1960s, with massive new capacities, ordered in boom times, brought on stream right in the middle of each slump. The British industry increased investment in the slump last year and plans further steady growth this year and next instead of wild fluctuations.

There are however obstacles which the Chemical Industries Association says make the investment future look "distinctly fragile." The chemicals business is extraordinarily sensitive to inflation of plant costs, and cash flow to pay for them was severely hit in recent years by the government's prices legislation, which for technical reasons badly squeezed margins during the boom two years ago

According to a survey of companies other than ICI, returns on capital averaged nearly 15 per cent in 1974 and 24 per cent in 1975. The public saw a picture of soaring profits. But recalculated on an inflation-accounting basis, the 1974 return became 4.3 per cent, dropping to 2.4 per cent in 1975.

However, last year the industry benefited from the biggest tax concession ever made by a British government when relief was introduced for stock appreciation in industry as a whole. This helped keep up the planned growth rate. The investment forecast is £2.8 billion over the next three years.

The industry, which because of its success tends to have the ear of government (though nobody will admit it), now sees Britain's high inflation rate as the worst obstacle to growth, with price controls next.

Prices legislation is likely to be modified in a manner which will help chemicals. During the last boom it was making most of its profits from exports, which are the main target for any additional expansion generated by North Sea oil—but the government realizes that the price squeeze can equally push multinational investment overseas.

That leaves inflation, which in cash terms is expected to treble plant costs between 1970 and 1978. If the rate continues to fall, growth plans will go ahead, and if not, many are likely to be cancelled. It's as simple as that —a decisive point has been reached this year, and companies such as BP Chemicals, Shell and ICI are holding up their spending plans until midsummer to assess the next stage of the anti-inflation policy.

Rowland Wright, the new chairman of ICI, says, "The cross we have to bear as an international trading company is the British rate of inflation."

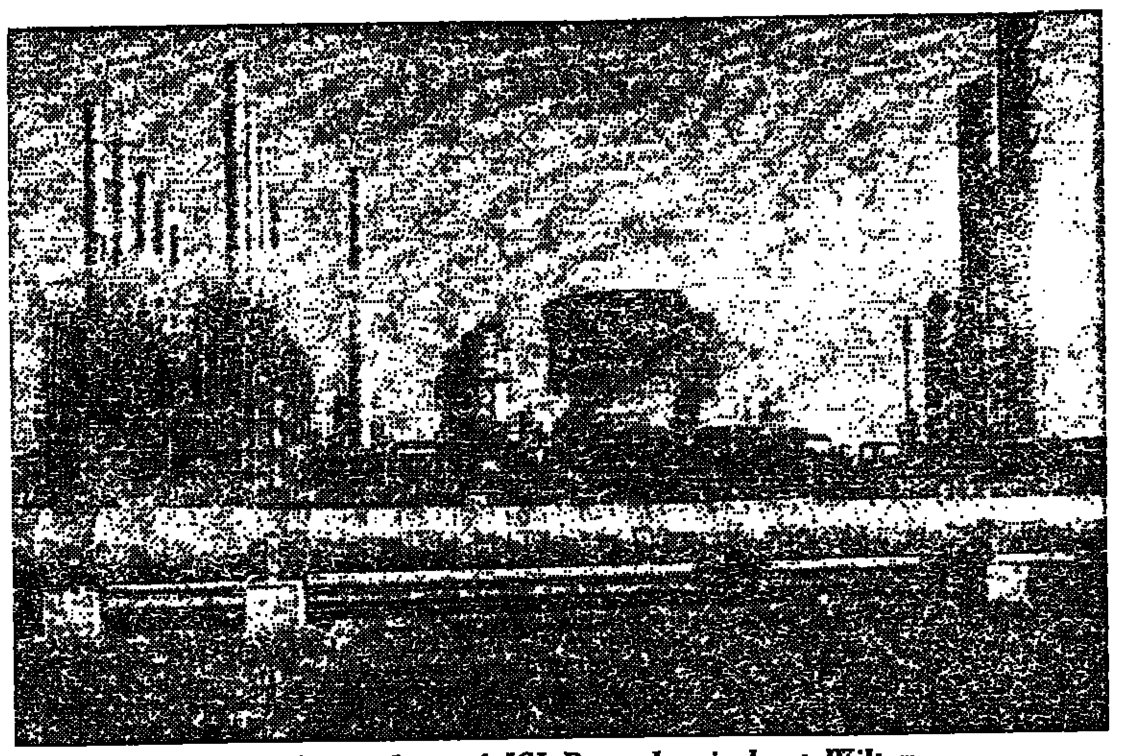
ICI was particularly squeezed last year by a pretax profit drop of 28 per cent to £327 million on a turnover of £3 billion—not because it was badly hit in the slump, except in fibers, but because of the home inflation effect on working capital, which went up £100 million—and investment costs. Many other European chemical companies did worse in profit terms.

The industry has one other problem which cannot be forgotten, an output-per-head over 20 per cent less than in other EEC countries and half that of the United States. Wage differences offset these low levels so the United Kingdom is trading slightly ahead on manpower costs per unit of output. An interesting recent comparison with West Germany showed that the productivity gap did not widen in the 10 years to 1973, while it has with many other British industries.

Since the main EEC chemicals competitors are forecasting a fall in growth rates at a time when Britain has a new growth opportunity because of the North Sea, there is a real and rare chance of catching up on productivity. ICI's planned 30-per-cent reduction in its 15,000 synthetic fibers work force is a case in point.

The British chemical industry as a whole is keeping up its record as an innovator with recent successes which include at least two commercially attractive processes for making oil-based or gas-based proteins for animal feeds, and in pharmaceuticals, new anti-allergy drugs. Income from licenses alone is £40 million a year. Chemicals is an industry which contradicts the folklore about Britain being good at inventions but bad at selling them —and it also happens to be nearly free of strikes.

Peter Rodgers is Industrial Correspondent for The Guardian.



An olifine plant of ICI Petrochemicals at Wilton.

75 an Unusual Year in Insurance

...y Richard Redden

...ON (IHT).—A few weeks ...ore Christmas, Continental ...ation's Nathan Wentworth, ...peech at a London con... on world insurance, con... himself "intrigued and ...esmerized" by the amount ... money Britain's insurance ...ies had raised from share... in 1975 to underpin their ... business, in spite of the ...us year it proved to be ...rance generally.

...ding Commercial Union's ...lion new-share issue in ..., 1974, new capital raised ... £330 million. This was ...fferent from the insurance ... in the United States, ... Mr. Wentworth said, there ...en very little appetite for ...nal capital commitments. ...t, some financial groups ... have actually switched ...out of insurance.

...ing at the highly unusual ...al year of 1975, the ques... be asked in British in... is how far the new mon... good money thrown after ... how far it really does ...nt a genuine injection of ... for consolidating and ex... g the strength of Britain's ...nies. The issue is still very ...n doubt.

...inly, at the end of 1974, ...rel of shareholder capital ...ercentage of premium in... was at dangerously low ... Whereas a decade earlier, ... companies had frequently ... 100-per-cent "solvency ...s," shareholder capital was ... to below the 30-per-cent ... many cases at the open... f last year. This was ... a U.K. minimum require... f 10 per cent and a pro... Common Market minimum ...per cent.

... effect of accelerating in... on premium income plus ...eep dive in investment ... meant the capital base ...ing eroded at either end. ...e the need for new capital, ...gh rising stock prices and ...ect of lower rates of inter... fixed interest investments ... to restore the capital base ... year wore on. By the end ... year, most of the com... had margins of around the ...-cent level, in spite of Brit... ecord inflation for the year ...per cent. But the signs of ... erosion were still there.

...t helped also was the fact ...Britain was about the only ...f underwriting profitability ... heavy losses were reported ... the world's other leading territories. Although most figures are not yet in for last year, it is estimated that Britain's seven major stock-exchange-quoted general insurers — Commercial Union, Royal, General Accident, Sun Alliance and London, Guardian Royal Exchange, Eagle Star and Phoenix—will record a marginal surplus on U.K. underwriting of £1 million. Contrast this to the United States, where some $4.5 billion is believed to have been lost last year.

But for several British companies, their U.S. business ranks in volume terms with their British business. In fact, two companies, Commercial Union and Royal, do much more of their business in the United States than here. In Royal's case it is twice as much and in Commercial Union's case, 1 1/2 times as much. Three of the other quoted companies also have a big involvement—General Accident, Phoenix through the Continental's business pool, and Sun Alliance, partly through the Chubb pool.

Underwriting

The British companies have historically had worse underwriting records in the United States than their U.S. counterparts. This is partly due to their administrative fragmentation and partly to their geographical spread of business, which is too concentrated in the Northeastern states. But while they suffered last year, they seem to have come out rather better than average. Only one company, Commercial Union, had an absolute disaster, with some $100 million of underwriting losses, not including another $30 million set aside for the ruthless pruning it is now conducting of its U.S. operation. Royal lost $58 million and General Accident $24 million, but in these cases, the year showed a steady improvement and loss-and-expense ratios were contained at or below the average. The others have yet to report, but it is estimated that total British losses in the United States may approach $200 million, against $115 million in 1974.

Worldwide, the anticipated underwriting loss of the British companies last year was around £140 million, or 4 per cent of premiums. More importantly, in terms of safeguarding the capital base, retained earnings after dividend payouts were only about £25 million, or 8 per cent of premiums. This year will be better, but by how much? Even the most optimistic figures suggest that the underwriting loss can only be reduced to 1 per cent, which would mean that retained earnings would finance only about 30 per cent of premium growth—again not enough to maintain the capital base. But perhaps all things are relative. It is still much better than the U.S. situation. And after all, Britain's insurance industry—the companies, Lloyd's of London and the brokers—still remain the country's leading net earner of invisibles.

The capital-base problem is also making itself felt at Lloyd's, which settles its accounts three years in arrears. The problems of the U.S. market have led to a strong flow of transatlantic business into Lloyd's, which admits it is now facing problems in handling it all.

One area where British and U.S. insurance do not mix is life insurance, although U.S. financial groups such as ITT own some of the new, and often smaller, British life companies. But now one giant U.S. life insurer, Prudential of America, is dipping into the British market through the acquisition of a 9 1/2-per-cent stake in one of the most blue-blooded of London merchant banks, Hambros. The significant thing is that Hambros is the controlling shareholder in the Hambros Life company, which last year showed the biggest rise of all in British life insurance premiums—76 per cent. Hambros Life is run by South African lawyer Mark Weinberg, one of the entrepreneurial whiz-kids of British life insurance. It could be that Prudential wants to get a slice of the action. Certainly, British life insurance proved its strength last year by recovering spectacularly from the investment crash. In spite of the recession, it is doing record business, with premium growth outstripping Britain's inflation rate. It may well be that some of Prudential's U.S. competitors are also casting fresh eyes on the British market.

Britain's Department of Trade has conducted a big and much-needed legislative cleanup after a string of minor life-company collapses in the investment slump. But the effect means that no small company will ever have enough capital to start up a life insurance operation from scratch because of the stringent asset-valuation laws. The way is wide open for the thrusting overseas group.

Richard Redden is Insurance Correspondent for The Guardian.

Steel's Struggle With Management, Labor and Production Problem

By Peter Rodgers

LONDON (IHT).—Even the strongest British supporters of nationalization are beginning to feel a touch of schizophrenia when they contemplate the series of crises which have afflicted the steel industry over the last 18 months.

Until a year or two ago the British Steel Corp. had powerful excuses for the continuing problems of weak finances, slow modernization, high costs, strikes and inability to deliver enough steel which have dogged it since it was set up in 1967.

Labor and Tory governments repeatedly interfered in the corporation's modernization and closure plans, which were called in for review and rewriting. They also used steel prices as a tool of economic management to such an extent that the retiring chairman, Sir Monty Finniston, was driven in January to claim that unrealistic pricing imposed by the government had cost £750 million between nationalization and British entry to the European Economic Community.

At one stage in 1974 British industry was getting an indirect subsidy through taxpayer support to the BSC of up to 35 per cent on steel bills—the extent to which steel prices were held down at a time when demand was booming.

The boom sucked in large quantities of imports because underinvestment in sensitive areas was compounded by the understandable problems of the miners' strike and the three-day week (from which the corporation recovered surprisingly quickly.) Shortage of capacity allowed Japan to slip in and supply much of the large-diameter pipe for bringing North Sea oil ashore, while the motor industry kept running into supply problems with one of its most basic materials, steel sheet.

Poor Legacy

Nevertheless the corporation was barely six years old and many of its failings could be forgiven. The take-over of 14 privately owned steel companies had been a difficult task for which the history of steel this century left a poor legacy, diminished further by a totally ineffective and quickly reversed nationalization in 1949.

Prof. John Vaizey, author of "History of British Steel," called it an unconsummated marriage by rape. The companies became extraordinarily cautious about their investment programs during the 1950s and did not foresee the car and consumer booms. Steel ended the decade "without adequate entrepreneurial leadership: with a major lack of competent managerial personnel except in certain firms like United Steel; a relative lack of scientists and engineers; a group of plants which were already well out of date compared with those built in Europe and the United States, and a labor force which had been protected from the industrial logic of the mergers which had rationalized many other industries."

It was not even a case of British postwar decline, because the steel industry in Britain has consistently lagged behind the United States and West Germany since late Victorian times. The task of the new corporation under its first chairman, the late Lord Melchett, was awesome.

Modernization

It was made worse because within two years the new Conservative government of 1970 played with the idea of returning the corporation to the private sector and splitting it up at a time when modernization plans were beginning to take shape. The Conservative idea was dropped but reviews of the corporation by ministers and civil servants delayed publication of the 10-year, £3,500-million development plan (now costing over £5,000 million) until 1973. This was not without some good effects, because in their original form the production targets were too ambitious and could have led to disaster.

Then when Labor returned to office in 1974, one of the first actions of the new secretary for industry, Anthony Wedgwood Benn, was to suspend the closure of elderly high-cost steelworks, to which much of the modernization program was linked. The results of this second review led last year to reprieves of several years for some of the older plants, largely concentrated in run-down areas of high unemployment and particularly in Wales.

Sir Charles Villiers

Sir Monty Finniston

The final stage of the review has not been announced even yet. This concerns the town of Shotton in North Wales, which presents a heart rending and typical problem because its economy is largely steel-based. The corporation wants to close steel-making leaving only finishing works, with the loss of 6,500 jobs, and make up the production at a new plant at Port Talbot in South Wales. Shotton workers have produced an impressive defense brief, acknowledging that 2,000 jobs must go anyway, which has won substantial support. It is based on the overall cost including welfare payments of the drastic change involved for the town, together with an attack on the BSC's own estimates of the savings from closure (which is not due to take place before 1980).

Meanwhile, the new investment for Port Talbot is held up.

This illustrates the dilemma, or if you like the schizophrenia, which is affecting supporters of state ownership. The BSC is Britain's dominant steel producer, with only the Sheffield-based special steel companies left largely in private hands. There was strong logic behind nationalization. But since then the corporation has behaved like a giant private corporation, trying to integrate disparate units and modernize itself, with the inevitable threat to jobs in areas of high unemployment. The dilemma is felt strongly even though the corporation has behaved far better than any private-sector employer in its social policies, giving a minimum two years notice of closure and now—through government action—up to six years. It has also set up with admirable foresight special units to attract new industry into areas where steel plants are being run down.

Saving Jobs

However, because state ownership amplifies the social and political pressures on the corporation, particularly when many threatened works are in Labor constituencies, the government has been forced to intervene to save jobs. That very intervention, which in some respects has proved justified, has compromised the objective of nationalization—stated again recently by management and unions together as to transform it into a "profitable, high wage, high productivity industry comparable to its major European competitors."

It is against this chaotic backdrop that the events of the last 18 months have been played out on two closely related fronts, production and labor relations.

The BSC has been unable even in the slump to supply all its customers, particularly in the motor industry. Worse, the corporation won £70 million in government support last year for a special 800,000-ton countercyclical stockpile to keep up employment in the slump, which was due to be provided by the end of March. In the event it has only managed half of that, confirming union claims that the original BSC plant closure plan might have left industry short of steel in the next boom. That claim can backfire on the unions because while the steel industry invested 2 1/2 times the national average a year per employee in the decade to 1973, its manpower productivity has been rising more slowly than average—which confirms that even the existing plant is poorly used and overmanned.

On the labor relations side there has been a tragi-comedy, which led last month to the fall of Sir Monty in favor of a new chairman, City banker Sir Charles Villiers, who in the 1960s ran Labor's Industrial Reorganization Corp.

Basic Problem

Most agree that one of the corporation's basic problems is overmanning, with a work force of nearly 220,000 which should be 40,000 or 50,000 smaller. Real net output per head rose only 20 per cent from 1963 to 1973, half as fast as manufacturing industry generally, not surprising in view of the inheritance from the private sector. Some successful big new investments such as the £240-million Scunthorpe steelworks (actually conceived before nationalization) were coming into production, but they were not enough to make up for the old plant which includes a large proportion of ancient open hearth furnaces.

A year ago, Sir Monty was frustrated by the delays to the closure program and by losses which eventually rose to £8 million a week, with a financial year loss of about £250 million expected to be announced this spring. He suddenly said he wanted to get rid of 20,000 workers in a year, and the same again as soon as possible afterward.

There was bedlam. Mr. Benn intervened and told off Sir Monty publicly. Within weeks

British Steel plant at Redcar under construction.

Sir Monty came away from a series of union meetings without the sackings but with an agreement designed to reduce labor costs by £100 million a year.

A second round of talks followed when the promises were not met, and more concessions were secured from the unions, who all along made it plain that they were as anxious as the corporation management to secure a viable future for the industry —but they did not take kindly to surprise tactics.

In November Sir Monty startled the country by coming back yet again with a complaint that savings were only running at £75 million a year, and he said that the target would also have to go up to £170 million.

There was almost disbelief when once again he said that he wanted 40,000 layoffs over two years.

A month later he threatened to introduce unilaterally everything which—because of plant-level resistance—the unions had been unprepared to concede.

In marathon talks over six weeks, held on the brink of a national steel strike, the two sides eventually settled on an overall cut of 23,000 over two years, little more than half the target.

Bluster

The bluster of these negotiations, against the background of a pay dispute which delayed operation of a new blast furnace at Llanwern in South Wales for nine months, strained the corporation's public credibility to the limit, and lost it many of its natural [illegible] Friendless, with a much [illegible] modernization plan and an [illegible] dercurrent of union resent[illegible] and suspicion, it faces a re[illegible] steel boom which will test its managerial limits. Steel [illegible] duction in the last boom w[illegible] serious national bottleneck was actually lower than at [illegible] time of nationalization.

Eric Varley, the new secr[illegible] for industry, said recently [illegible] not want to underestimate difficulties in the steel indu[illegible] they are great and it will [illegible] a long time before we get th[illegible] ternationally competitive industry that we all want."

More than eight years [illegible] nationalization it is no lo[illegible] good enough to harp on the [illegible] difficulties or on the chaos [illegible] there might otherwise have [illegible]

...r Assembly Is Sore Spot of Generally Healthy Automotive Field

...Victor Keegan

...(IHT).—If bad public... e an accurate barom... ciency, then Britain's ... industry would have ... to be the worst in ...

... British Leyland, the ...hicle manufacturer, ... a third of the U.K. ... d to be nationalized ... a £1-billion (about ... rescue operation. ...K) was only saved ...se by a government ...ration which will cost ...er as much as £160 ...xhall, owned by Gen... would have found it ... survive without the ... its parent company. ...f the big four manu... ...anaged to survive with ...

...ircumstances, it is not ...hat the British auto...stry gained a reputa... sick man of the in...rld. Yet such bad ...s obscured the fact ...ar was unquestionably ...most successful in the ...cent history.

...er to this paradox ... fact that—although ...assembly gets 90 per ...e press coverage, it ...r less than 20 per ... industry as a whole. ... up most clearly in ... balance-of-payments ...ereas imports of pas...s exceeded exports, ... trade deficit of £31 ... rest of the industry ...s, commercial vehi... as extremely success...ting. As a result, the ...verall surplus jumped ...ecedented £1.5 billion, ...ment on the previous ...er cent. As one cynic ..., if only the rest of ...ustry had performed ...as well as the auto...dustry, the country ... had an enormous ...ayments surplus in... record deficit.

...gmentation

...ons behind Britain's ...n automobile manu...re contained in the ...t of the world industry ... last five decades. ... most other countries, ...e United States, the ... firms in the 1920s ...e economies of scale and became the dominant firms of today, in Britain fragmentation continued until very recently. British Leyland, Vauxhall and Chrysler are all amalgamations of a large number of smaller companies whose identities have still not been buried. British Leyland has no less than 37 plants and, because of fragmentation, has never earned enough money to lay down large new plants which would enable it to reap large-scale economies. Instead, the old factories of companies like Austin, Morris, Triumph, Rover and Jaguar continue producing under the banner of British Leyland.

Although industrial disputes and bad utilization of existing machinery are acknowledged constraints on the short-term performance of the assembly side of the industry, there is little doubt that lack of capital investment is the biggest long-term problem. Recent figures show that value added per man and fixed assets per man were four times as high at General Motors in the United States as at British Leyland. Other figures (which have been strongly disputed) showed that the per-capita production rate in Japan was 37 vehicles a year and on the Continent of Europe 12 vehicles; yet in Britain the comparable figures were six for British Leyland and only nine for Ford U.K., generally considered the most efficient British manufacturer.

During a recent investigation by a committee of the House of Commons, British Leyland was said to have the oldest plant of any large manufacturer in the world.

Much of the machinery at Ford's Dagenham plant was said to be over 40 years old. In some cases, toolmakers were still using antiquated presses and equipment imported from Detroit during the 1930s. Predictably, the committee concluded that inadequate investment and the lower productivity of older plants "have been the greatest contributors to the poor profitability of the mass-production car side of the industry."

It was partly for this reason that the government stepped in last year with rescue plans for British Leyland and Chrysler U.K. In both cases, the injection of state funds is dependent on the companies showing signs of increased efficiency. The Chrysler rescue involves the group increasing its capital expenditure and reducing its work force from 25,000 to 17,000. British Leyland's money, which is aimed at expanding investment, is currently being held back by the government until industrial relations have shown signs of sustained improvement.

Good Beginning

By contrast, the government has not been forced to put any money into the rest of the automotive industry, which is continuing to strengthen its position this year. The latest figures show that in the first two months of the new year, despite a £10-million deficit on automobiles, the balance of payments of the automotive industry rose 28 per cent to £288 million. Exports of commercial vehicles (where Britain moved into the European lead last year ahead of France and Germany) rose 37 per cent in January-February compared with a year earlier and exports of components and accessories went up 25 per cent.

The main reason for the success of the component industries may also be structural. Unlike many of its overseas competitors, the British auto-parts industry is not nearly so vertically integrated. As a result, strong independent companies like GKN, Joseph Lucas, Dunlop and Automotive Products have been able to develop a separate existence, enabling them—unlike the assemblers—to utilize large-scale economies. In the past, the vehicle assemblers have actually encouraged the development of a strong components industry, which has enabled them to rely on "bought out" components at a cheaper price than would have been the case if they had relied on in-house production. Thus, whereas GM in the United States buys out only 46 per cent of the material cost of a car, its British subsidiary, Vauxhall, buys out 85 per cent. The British industry, except for Ford, even relies on outside suppliers for forgings and castings, which are almost invariably an internal activity abroad.

...Bad publicity has obscured the fact that last year was unquestionably one of the most successful in the industry's recent history.

The independence of the U.K. supplying industry has also enabled it to form independent judgments about future trends in the market and on diversification toward exports in order to insulate itself from the "stop-go" economic policies of successive governments. It is perhaps more than a sign of the times that GKN (which admittedly has other interests as well as motor components) made £19 million pre-tax profit in 1974, which was more than eight times the entire profit of the motor-assembly industry. Indeed, in each of the last five years, GKN has made more profit than the combined total of Ford, British Leyland, Vauxhall and Chrysler. The only British motor assembler which has consistently improved its profit record over this period is Rolls Royce, for which the energy crisis produced a bonanza in the form of rich oil shiekhs anxious to acquire status symbols in keeping with their new wealth.

Britain's commercial-vehicle industry last year doubled its balance-of-payments surplus to nearly £3.5 million. This was partly due to traditional U.K. expertise in making all except the heaviest trucks, but also reflected the fact that three of the multinational truck exporters, General Motors, Chrysler and Ford, have concentrated many of their activities in Britain. Last year may have been an exceptional one in that the worldwide recession tended to favor sales of the less heavy type of vehicle rather than the larger type that is mainly made on the Continent.

So, Britain faces the rest of the year with its automotive industry doing well on most activities except the final assembly of automobiles. This is in spite of the fact that economists are raising their predictions of home-market auto sales from 1.1 million units at the beginning of the year to 1.2 or 1.3 million units now. British Leyland, which made an operating profit in January and February (compared with a loss of over £12 million last year) had a relapse at the end of last month when a strike of less than 24 carburetor workers brought most of the operations to a near standstill and even caused a run on sterling. This has given fresh credence to some minority forecasts that Ford, which normally takes around 25 per cent of sales compared with British Leyland's 33 per cent, might actually become the market leader by the end of the year. Ford is greatly helped by the arrival of its new "mini" model at a time when lack of capital has prevented British Leyland from launching a replacement for its own "Mini" range, which was for over a decade the market leader.

Automobile imports are expected to continue to capture around 33 per cent of sales. This compares with a penetration of only 5 per cent less than 10 years ago. Although importers are often selling superior products at a competitive price, one of the reasons for their success is also the inability of the domestic manufacturers to expand their production to meet demand. Importers have much higher stocks and are able to make cars available when domestic shortages emerge.

Meanwhile, the big four manufacturers, British Leyland, Chrysler, Ford and Vauxhall, are fighting each other for a domestic automobile market that most observers think is too small to sustain profitable operations for all four. Their fight for survival will doubtless continue to dominate the headlines while the rest of the industry will go on being quietly efficient, making enough money to offset the losses made by the assemblers. There must be a moral somewhere.

Victor Keegan is Business Editor of The Guardian.

Engineering, After Bad Year in 1975, Keeps Grim Outlook

By Clive Woodcock

MANCHESTER (IHT.)—Last year was a year that most of the engineering industry in the United Kingdom would prefer to forget. Unfortunately, prospects for the industry make it impossible to say that this year will be a good year.

The latest sales and order figures show that at the end of last year the order books of the industry were at their lowest level since 1971. Domestic order books fell during the year by 25 per cent and export orders outstanding by 19 per cent.

New orders came in at a rate lower than in any year since 1969. The one bright spot was that in December orders in hand for export were still higher than the low points recorded in the 1971-72 recession. Orders from the home market were the worst for eight years.

Most engineering sectors do, however, seem to have reached the bottom of the trough but equally most of them are faced with staying in that position for most of this year.

There have been reports that volatile sections of the industry such as machine tools and fork lift trucks have seen small recovery signs but these are unlikely to be very firm.

Machine Tools

The first half of the year in fact looks like being very difficult for the machine tool sector, taking into account the announcement earlier in the year by British Leyland that it was suspending all capital spending for at least three months.

Added to this has been the chilling realization that Chrysler will probably be closing down plants as part of the rationalization program aimed at bringing that company back to viability. The planned reductions in public spending are also likely to have a ripple effect on machine tools, with the lighter end being most affected.

Companies at the heavier end, particularly the specialist manufacturers such as those supplying the coal and oil industries, are expected to fare rather better and business for them should not be too bad.

The best prospect open to machine tool makers is in export markets, where they can take advantage of the fall in the value of the pound. This sector has in the past actually been a successful exporter in spite of the problems which occur when demand builds up to a peak. Last year, for example, exports rose by a third to reach a record of £160 million.

Machine tools is a sector which the government is trying to help with aid to bring forward investment and modernization projects.

Another key indicator of the health of the engineering industry is bearings, a sector which has invested heavily in capacity for volume output and needs to be working at close to 70 per cent of capacity to break even. The firms which are currently managing to reach 60 per cent are doing well in comparison with others.

Little improvement in this sector is anticipated before the end of this year and possibly not even until the start of next. The first half of the year could well see more people losing their jobs. Even within this sector, however, there are contradictions, with cases being reported of differences inside a single plant with the general engineering side depressed and facing redundancies while the section producing bearings for the aerospace industry is heavily loaded with work.

The recession is also hitting the heavier end of the engineering industry with, for example, fewer process plant manufacturers with work for more than a year ahead. The process plant sector expects lower home demand this year and for the early part of next year than had previously been forecast.

Most firms in this sector have work for the next six months but that percentage is dropping. Some companies have been experiencing a drop in overseas orders, especially from the Middle East and Eastern Europe.

OPEC Countries

One of the reasons for this could be that British companies do not appear to be taking part in joint ventures in countries in the Organization of Petroleum Exporting Countries, a course followed by several overseas competitors. Such consortia have been successful in winning a number of orders recently.

Process plant companies whose production is aimed at the chemical and steel industries, the energy development program, or for export to OPEC countries and some other areas are, however, likely to remain busy this year and probably for the early part of next year.

Those which depend on public authority spending face tight order books in the near future and will probably not be able to expand production until recovery in the world economy becomes more firmly established.

A recent report on mechanical engineering in general suggested that although aggregate statistics showed an order book stretching several months ahead, this masked the serious position in which some manufacturers were now finding themselves.

It also ignored the distribution of the remaining workload between departments within individual companies. Hope is also expressed that if the British Leyland re-equipment gets off the ground soon, benefits will accrue from that.

The new order rate this source should bring is not expected to be substantial enough to have a

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Competition by Imports Takes Heavy Toll on the Textile Indust

By Clive Woodcock

MANCHESTER (IHT.)—The recovery of the United Kingdom's textile industry from the worst recession it has suffered for 30 years cannot yet be said to be under way, but it is clear that the long grind along the bottom of the cycle is nearing its end.

The most encouraging signs so far this year have been improvements in production reported by the upstream sectors of wool, cotton, and man-made fibers in January—the latest figures available—and the indications are that progress has continued since.

In that month, for example, single-yarn output in the cotton and allied sectors reached its highest level since June of last year, while stocks of yarn held by spinners fell. In addition, the volume of unfilled orders showed a sizable growth for the second successive month.

In spite of these indicators of better things to come, the most prominent news of the last two months has been that some of the bigger companies in the industry have run into difficulties. The length and depth of the recession, combined with pressure from imports, has taken its toll.

Workers Laid Off

The recent announcement by ICI, one of Britain's largest companies, that its fiber division will reduce its work force by as much as 30 per cent shows how severely the textile decline has hit synthetic fiber producers. Another fiber producer, British Enkalon —62 per cent owned by the Dutch group AKZO—has reduced its labor force by 25 per cent in the last year.

Most fiber producers have been operating at about 70 per cent of capacity, some at as little as 30 per cent, for some time. Although the break-even point of highly capital-intensive fiber plants has been reduced in recent years, working close to capacity is still necessary to make profits.

But though companies such as these have suffered severely, they have a basic strength which enables them to ride out the storm more successfully than medium-sized and small companies. The smaller firms have borne the brunt of the recession, and many have gone out of business, further reducing the size of the British industry, though it remains the largest in Europe.

It has been the medium-sized firms that fell by the wayside in the last two months. Though some of their problems have been of their own making, there is no doubt that continued heavy pressure from imports has played a significant part in their downfall, along with the recession.

Pleas by the industry last year for import controls were largely ignored by the government, and the action that was taken was regarded by the industry as grossly inadequate. Some of the situations now arising appear to fulfill warnings given by the industry.

Although exports from Britain were declining as a result of the recession, imports... were holding up well, thus increasing their penetration of the market.

A factor which particularly worried the industry was that although exports from Britain were declining as a result of the recession, imports into Britain were holding up well, thus increasing their penetration of the market.

One of the reasons for this situation was and is that Britain not only still has what is probably the most liberal import policy in the world for textiles, especially from developing countries—though West Germany is not far behind in this respect—but also, the structure of the market in Britain lends itself to easy penetration.

The producer who wants to sell into the United Kingdom finds one of the most concentrated and highly developed channels of distribution and retailing in the world.

As a result, orders can be secured for national distribution simply by a salesman making a relatively small number of calls in London. To achieve comparable coverage in the far more fragmented markets of countries such as France, many times as many calls would have to be made in different centers around the country.

The effects of this centralization are to some extent shown by the balance-of-trade figures for the British textile industry last year, which resulted in the largest deficit ever recorded, a figure seven times worse than that of the previous year.

In cash terms the deficit rose from £32 million to £224 million, though the situation did show signs of improvement in the last quarter of the year. Not until 1973 had the British textile industry recorded a deficit in its balance of trade. Until then surpluses had been healthy.

The sharp increase in the deficit last year arose almost entirely from the slump in exports. In 1975 Britain sold £963.5 million worth of textile goods to the rest of the world, a fall of 14 per cent from the figure of £1.12 billion for the previous year.

At the same time imports registered an increase of 3 per cent, taking import penetration from £1.15 billion to a record high of £1.19 billion.

Clothing Weak

Within the industry figures, the main point of weakness is the clothing sector, where imports rose by more than 25 per cent to a peak of £505 million. Exports by this sector also rose sharply, by 15 per cent, to reach £365 million. Overall the trade deficit was an abysmal £239 million, a rise of 39 per cent.

In the last quarter of the year, clothing imports actually rose by 50 per cent compared with the corresponding period of the previous year. It was only because the rest of the textile industry was able to earn a small surplus of £15 million that the overall deficit was held to £224 million.

This deficit in the clothing trade is of long standing, and it has for some time been the performance of the rest of the textile industry which has either held the trade balance in surplus or cut back the deficit.

The problem of the clothing sector over a long period has been of low investment leading to low productivity, resulting in low profits, which means that the cash has not been available for the capital spending needed to break out of the circle.

Some improvement in this situation has been evident in the last year, and the rise in exports is an indication of this.

Government Loans

In an attempt to put the clothing sector on a sounder footing, the government last year made available £20 million in grants and loans for approved schemes of rationalization and investment. The companies who qualify for government money will still have to find the major part of the finances required to carry out the plans they put forward.

There has been a considerable response so far, and the scheme could have a significant effect on the performance of the clothing sector in the years to come, though whether it will affect performance in the upswing to come is debatable.

A similar scheme was started for the wool-textile sector a few years ago and has been so successful that it was extended last year. The clothing scheme is based on it. Wool textiles, however, have always been strong, exporting more than a third of their £700-million-a-year sales.

This is not to say that the British textile industry has been slow in investing in recent years. In fact, the trend in capital spending over the last decade has been strongly upward, averaging £145 million a year since 1970. The textile industry has invested proportionately more than the rest of British industry.

As a result, the industry now has a high-technology, capital-intensive base, though there are still exceptions such as clothing. Furthermore, the output rate of textiles compared with the rest of the manufacturing industry has been rising sharply. Since 1966 the output rate in textiles has risen by 7.1 per cent, compared with 4.3 per cent for the manufacturing industry as a whole.

In spite of that, the industry has been running up an increasing trade deficit and still finds it difficult to withstand the pressure of imports. One factor in this situation is the political pricing of some imported goods, either for the purpose of obtaining foreign currency or ing a foothold in the market.

Countries such as Tu Taiwan have come in f criticism from the Bi dustry. Paradoxically, countries which have their own textile indu the basis of British t

In fact the success British textile-machiner try in regularly incre balance-of-payments seems to have a direct ship to the pressure textile manufacturing from imports. Big in imports from Turkey wan, for example, have a year or two after chases by those cou British textile machine

EEC Action

The limitations on im posed last year by the Economic Community gin to bite this year, gi ish manufacturers a space in which to gear next boom.

In addition, exporters ly to start switching the to more profitable mar Britain. This change will mean sharper co for British exporters to regain their previous port levels.

The United Kingdom has not yet regained its Unemployment is still in trend. Consumer spend little more than 1974 lev real earnings are likely tinue to fall throughout These are the factors hold any major recov until later in the year.

Output levels should to improve in the first this year. The price rises imposed by the man-m producers seem to be But the industry will not really take off until t quarter of the year.

Recovery is, however, be strong when it doe because of the low level It will probably be led synthetic-fiber sector. N will see the recovery strength, and the peak cycle is expected in 197

Clive Woodcock is the ern Business Correspon The Guardian.

Engineering Industry Is Seen Facing Another Grim Year

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marked effect on order levels for the industry as a whole.

One worrying factor which affects the export opportunities for British industry is its poor reputation for delivery. This is pushing up the cost of export business because overseas customers are increasingly demanding bid and performance bonds and back guarantees, the cost of which of course is paid for by the British exporter. This, however, is a situation of Britain's own making and one which only Britain can remedy.

In spite of this problem, however, engineering industry sales to export markets last year were higher than in any year since 1969. In fact there was a rise of 40 per cent in the surplus in exports over the previous year in value, an increase which cannot be explained even by Britain's painful rate of inflation during the year. Clearly there was a substantial increase in volume as well.

Major contributors to this surplus on the engineering balance of trade were wheeled tractors, internal combustion engines, construction and mining machinery and textile machinery. This last sector achieved a record surplus of £147 million, in the process probably adding unintentionally to the problems of textile manufacturers.

But looking ahead, there are further problems in that although Britain's rate of inflation is slowing substantially it is considerably more than that of its major competitors and even the fall in the value of the pound is not sufficient compensation.

This causes difficulties for sectors whose business involves them in anticipating cost increases for contracts where delivery is spread over a period of years. Last year these companies often added an inflation allowance of 1.5 to 2 per cent a month in their tenders for long-term contracts. The result was that the orders went elsewhere.

Delivery and price are therefore two factors which make exporting an uphill struggle for British companies. But there is a third factor which is of major importance and is probably a significant reason for the performance of the engineering industry in export markets last year. And that factor is technology.

Those firms, and they are far from being few in number, which can show a technological lead have been able to obtain orders around the world even in spite of the recession. On the other hand there are instances where firms have won through on price and delivery rather than technology.

Tipper Gear

An example of this is Edbro, a manufacturer of tipper gear for trucks, who have won domination of a number of markets around the world or else a very large share of the markets for a product in which technology is probably in third place in the list of important factors. Competitive price and delivery have instead given them the edge.

Although the engineering industry is bumping along the bottom of the trough, its leaders are looking ahead at the recovery and becoming increasingly concerned that some of the problems which affected the performance of the industry in the last boom are going to be repeated.

Already looming in their minds are the shortages of raw materials, components, and skilled labor as well as working capital which could materialize as recovery gathers momentum.

Liquidity and cash flow problems which had eased in recent months are even now starting to reappear. In the last boom, engineering companies were sometimes forced to turn down orders simply because they were reluctant to build up additional bank debts. Foreign competitors were the beneficiaries.

One interesting facet of the recession has been the lengths to which companies have been prepared to go to retain skilled labor. The tendency has been instead to make redundancies among staff and indirect workers while holding onto production workers.

Skilled Workers

Engineering companies have learned the hard way that redundancies among the skilled workers not only cause bad feeling among those who remain but also make it virtually impossible to recruit the people who were dismissed when demand begins to revive.

The scale of the problem becomes evident when in a growing number of areas firms find it difficult to find sufficient skilled workers to meet their needs even when conditions are depressed. Shortage of skilled labor has become a problem second only to shortage of orders.

It is very easy in the space of a short article to overemphasize the problems which face, and the gloom which surrounds, many sectors of the engineering industry. But there are areas where business has been running strongly throughout the recession and looks like continuing—such as agricultural equipment and mining machinery, to name but two.

The industry shares the problems of Britain as a whole but they are far from insoluble. In fact the weather forecast for engineering could be described as: "The rain has stopped and the immediate outlook remains cloudy with patches of sunshine which will spread later."

International Herald Tribune
Published with The New York Times and The Washington Post
PARIS, MONDAY, APRIL 12, 1976

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In[d] ext of Summary of Sonnenfeldt's Remarks on Eastern Europe

...TON (NYT). — Here is the ... State Department non-... ummary of remarks made by ...nenfeldt, counselor to the de... t a meeting in London last ... U.S. ambassadors in Europe.

...tnessing the emergence of the ... as a superpower on a global ... will be a long-term process. ...ess that is just beginning in ... as the Soviets are just now ... of their continental mold. They ... developing modalities for carry... a global policy.

... why it is possible for the Unit... l its Western European allies to ...olicies that will allow us to cope ...uation is that Soviet power is ...egularly. It is subject to flaws ...rements which in some cases ...de world can meet.

...t as an imperial power comes at ... after the period when the last ...r, Germany, made the plunge, ... comes at a time when different ...rceptions apply. The Soviets ...ept. They have not been able ... attractions that past imperial ...ht to their conquests. They ...ught the ideological, legal, cul...tural, organizational and other ... skills that characterised the ...h and German adventures.

...ressures, Tensions

..., there are serious underlying ... tensions in the Soviet system ...

...rom which imperialism asserts ...ious problems in the economic ...ctors. There are also internal ...oups which are growing. Non...onalist groups in Russia are ... disproportionally faster rate, ...d to these tensions in the base ...gs Soviet imperialism.

...s have been particularly un...ding viable international struc... have nothing approaching the ...mmunity or the many other ...stern institutions. In Eastern ...ularly, the single most impor... force is the presence of sheer ...ry power. There has been no ... of a more viable, organized ...

..., the last 30 years have inten...

Helmut Sonnenfeldt

sified the urges in Eastern European countries for autonomy, for identity. There has been an intensification of the desire to break out of the Soviet straitjacket. This has happened in every Eastern European country to one degree or another. There are almost no genuine friends of the Soviets left in Eastern Europe, except possibly Bulgaria.

'Sheer Power'

The Soviets' inability to acquire loyalty in Eastern Europe is an unfortunate historical failure, because Eastern Europe is within their scope and area of natural interest. It is doubly tragic that in this area of vital interest and crucial importance it has not been possible for the Soviet Union to establish roots of interest that go beyond sheer power.

It is, therefore, important to remember that the main, if not the only, instrument of Soviet imperialism has been power.

The reason we can today talk and think in terms of dealing with Soviet imperialism, outside of and in addition to simple confrontation, is precisely because Soviet power is emerging in such a flawed way. This gives us the time to develop and to react. There is no way to prevent the emergence of the Soviet Union as a superpower. What we can do is affect the way in which that power is developed and used. Not only can we balance it in the traditional sense, but we can affect its usage—and that is what détente is all about.

It is often asked how détente is doing. The question itself evades the central issue we are trying to pose, that is, what do you do in the face of increasing Soviet power? We will be facing this increased power if our relationship with the Russians is sweet or our relationship with the Russians is sour. The day when the United States could choose its preferences from two alternatives is over: That is, turning our back on the world—usually behind the protection of another power like the British Navy—or changing the world.

Choice Is Gone

That choice no longer exists for us. There is too much power in the world for us to ignore, not just the Soviets, but other industrial powers, raw material producers, and even the combined political power of the dwarf states. Nor do we today have enough power to simply overwhelm these problems.

So the Soviets will be seen and heard on the world stage no matter what we do. Therefore, the question of whether or not détente is up or down at a particular moment is largely irrelevant. We Americans like to keep scorecards, but the historic challenge of the Soviet Union will not go away and the problem of coping with the effects of that growing Soviet power also won't go away.

We don't have any alternative except to come to grips with the various forms of power which surround us in the world. We have to get away from seeing détente as a process which appeases or propitiates Soviet power. We have to see our task as managing or domesticating this power.

That is our central problem in the years ahead, not finding agreements to sign or atmospheres to improve, although those have some effect. Our challenge is how to live in a world with another superpower, and anticipate the arrival of a third superpower, China, in 20 years or so.

Trade Strategy

The debate in the United States on détente is illustrated by comments that Soviet trade is a one-way street. It seems that today you can't just get payment for the goods you sell—you must get Jewish emigration, or arms restraint, or any number of other things.

Our European friends have extended considerable credit to the Soviets and Eastern European countries, while the U.S. does not extend lines of credit but, rather, approves financing on the basis of each project. That feature gives us some control over the direction of Soviet economic development. The Europeans have surrendered on this point. While not falling into the trade trap, we have seen trade as a set of instrumentalities to address the set of problems we face with the Soviets. We have to find a way to develop a coherent trade strategy that goes beyond the commercial views of individual firms.

The grain agreement is a good but narrow example of what I am talking about. The Soviets were forced to accept that they need substantial imports from the United States. That gives us leverage, but only if it is done within a coherent framework of policies to achieve certain objectives. MFN [most-favored-nation] treatment has been considered a concession to the U.S.S.R., and in a sense it is. The Soviets don't like paying interest—they prefer to earn their way as they go.

If this is an accurate assessment, then with MFN and credit policies we can get the U.S.S.R. to be competitively engaged in our U.S. markets. If done skillfully, this forces them to meet the requirements of the sophisticated U.S. market. MFN entry into U.S. markets can have an impact on Soviet behavior. This is not a trivial matter.

Consumer Choices

It is in our long-term interests to use these strengths to break down the autarchic nature of the U.S.S.R. There are consumer choices being made in the U.S.S.R. that, although more below the surface than those in the United States, can be exploited.

This is just one illustration. There are many assets in the West in this area and instead of looking at them as just commercial sales, we need to be using them to draw the Soviet Union into a series of dependencies and ties with the West. It is a long-term project.

When we lost the MFN battle with Congress, we lost our ability to impose a degree of discipline on the Soviet Union, as we were able to do in the case of the grain deal. This is the real tragedy of losing that trade issue. In the long term, we have suffered a setback.

'So, our policy must be a policy of responding to the clearly visible aspirations in Eastern Europe for a more autonomous existence within the context of a strong Soviet geopolitical influence.'

With regard to Eastern Europe, it must be in our long-term interest to influence events in this area—because of the present unnatural relationship with the Soviet Union—so that they will not sooner or later explode, causing World War III. This inorganic, unnatural relationship is a far greater danger to world peace than the conflict between East and West. There is one qualification to this statement. If Western Europe becomes so concerned with its economic and social problems that an imbalance develops, then perhaps the dangers to the United States' interests will be endangered by the simple change in the balance of power.

So it must be our policy to strive for an evolution that makes the relationship between the Eastern Europeans and the Soviet Union an organic one. Any excess of zeal on our part is bound to produce results that could reverse the desired process for a period of time, even though the process would remain inevitable within the next 100 years. But, of course, for us that is too long a time to wait.

Social Experiments

So, our policy must be a policy of responding to the clearly visible aspirations in Eastern Europe for a more autonomous existence within the context of a strong Soviet geopolitical influence. This has worked in Poland. The Poles have been able to overcome their romantic political inclinations which led to their disasters in the past. They have been skillful in developing a policy that is satisfying their needs for a national identity without arousing Soviet reactions. It is a long process.

A similar process is now going on in Hungary. Janos Kadar's performance has been remarkable in finding ways which are acceptable to the Soviet Union, which develop Hungarian roots and the natural aspirations of the people. He has conducted a number of experiments in the social and economic areas. To a large degree he has been able to do this because the Soviets have four divisions in Hungary and, therefore, have not been overly concerned. He has skillfully used their presence as a security blanket for the Soviets, in a way that has been advantageous to the development of his own country.

The Romanian picture is different, as one would expect from their different history. The Romanians have striven for autonomy, but they have been less daring and innovative in their domestic systems. They remain among the most rigid countries in the internal organization of their system.

We seek to influence the emergence of the Soviet imperial power by making the base more natural and organic so that it will not remain founded in sheer power alone. But there is no alternative open to us other than that of influencing the way Soviet power is used.

Finally, on Yugoslavia, we and the Western Europeans, indeed, the Eastern Europeans as well, have an interest which borders on the vital for us in continuing the independence of Yugoslavia from Soviet domination. Of course we accept that Yugoslav behavior will continue to be, as it has been in the past, influenced and constrained by Soviet power. But any shift back by Yugoslavia into the Soviet orbit would represent a major strategic setback for the West. So we are concerned about what will happen when Tito disappears, and it is worrying us a good deal.

So our basic policy continues to be that which we have pursued since 1948-49, keeping Yugoslavia in a position of substantial independence from the Soviet Union. Now at the same time we would like them to be less obnoxious, and we should allow them to get away with very little. We should especially disabuse them of any notion that our interest in their relative independence is greater than their own and, therefore, they have a free ride.

...issinger on Managing the Emergence of Russia as Superpower

...TON (NYT).—Here is the offi... ...ate Department non-verbatim ... remarks made by Secretary of ... Kissinger at a meeting in ... December of U.S. ambassadors

...n of our age is how to manage ...e of the Soviet Union as a ...n today's circumstances neither ... a strategic advantage that can ... into political utility. A per...gic gap would have only mar...l benefit. However, the pre...many made in the mid-fifties, ... wrong then, is true now—that ...balance provides increased op...r regional pressure. In these ...s our task is to find ways to ...iet power over an historical ...need a foreign policy that we ...over time, not one geared to ...nd cycles of crises.

... forces are today less impor...l balances gain more signifi...but a U.S. consensus, it will be ...ain Soviet power. We need a ...conception of our national ...conception that is not based ...l relations between leaders, nor ...ns drawn from previous periods, ...ea that the Soviets should have ...changes in their domestic ...

...lance off Soviet power around ...ugh a combination of political, ...economic means. In the Far ...C [People's Republic of China] ...rt of our political calculations. ...dle East we must not separate ...m the dominant political cur... must pursue there a policy ...egional balance.

As in Vietnam

...d States public must see its ...s being interested in the settle...putes. Truculence toward the ...n everyone beating his chest, ... a situation in which opinion ... youth would say that we are ...opardizing peace. This would ...d of debate that paralyzed us in ... war. We need a United States ... would make it impossible even ...estern European parties which ...O to describe the United States ...s a threat to peace. Accord...ve made efforts at conciliation, ... UN special session with regard ... countries.

...ontain the Soviets and prevent ...sion either through Western ... through the application of mili... To do this we must achieve ...port for a long-term conception ...al interest. We must draw the ...n into relationships which are ...e and practical and we must ...aximum incentives for a moder...ourse. The Soviet system has ... fundamentally. It is an amal...leology that cannot resist move...ngola and a bureaucracy that ...n with persistence. But the ...also subject to imperatives, for ...ad economic situation, a failure ...logical adherents, and pressure ...st. In such circumstances, for ... engage in fratricidal conflict ...ly.

U.S. Discomfort

...eal of what has gone wrong is ...lt of détente or of Soviet policy, ...e Portugal and Italy. The prob...eece, Turkey and Cyprus are in ...lt of domestic paralysis in the ... Angola represents as much a ...y the Soviets of the domestic ... the U.S.—as much a reaction ...ligence investigations—as it does ... policy.

'Western Europe continues to be the backbone of our foreign policy. We are doing extremely well. Both the frequency and context of our mutual consultations are improving. There is presently a greater degree of real exchange of views than there has been during the past decade and a half.'

Our discomfort is at having to conduct foreign policy by relative means rather than by unilateral declarations. The fact is that, with the Soviet Union as an emerging superpower, we are doomed to coexistence. Thus to sum up, détente is not an amelioration of tone. Détente is the improvement of long-term relations with an emerging superpower. And that is a problem which will confront any American president no matter who he is.

Western Europe continues to be the backbone of our foreign policy. We are doing extremely well. Both the frequency and content of our mutual consultations are improving. There is presently a greater degree of real exchange of views than there has been during the past decade and a half.

The period in which Europe was attempting to define itself is at least temporarily over. We are now closer to the Atlantic partnership that we envisaged with the Year of Europe in 1973. But at the same time, the world has become even more interdependent and there are now new problems which must be addressed within the Atlantic context. This interdependence is the dominant fact of our international relationships. We have not yet achieved the degree of coherence in our relations with our European allies that is required in crisis situations, but we are making progress.

What is most worrisome is not the foreign policy of nations in Western Europe, but their domestic evolution. The growth of left-wing policies threatens to undermine the security relationship and defense policies on which the alliance has been constructed. And this growth is bound to affect the relations between Western Europe and the United States. In Italy, Spain and Portugal, and maybe even France, we are witnessing the rising influence of Communist parties and we are facing the question of what we should do. The intellectual community in the United States is trying to resolve a paradox. We are accused of being soft on Communism and hard on Communist parties. We are asked to be tough with Moscow but to have a dialogue with Communist parties in the West.

Unacceptable

One thing is clear, however, the dominance of Communist parties in the West is unacceptable. This has nothing to do with the reasonableness of these parties. Or with the degree of their independence from Russia. It is hard to imagine that, if one or the other of these parties takes control of a Western government, it will permit the democratic process to operate and thereby face the possibility that it may itself be removed from office.

A Communist party taking control of a government would find itself on a specific point in its line of development, regardless of what it may claim. It is unlikely to turn back the clock. More likely, once it is in power, it will seek to change the objective conditions of society so that the democratic process can no longer operate. We must do our utmost to assure the survival of democratic processes and to preserve the Western political orientations of Western European countries.

Finite Capacity

Secondly, we can have fruitful relations with Titoist Yugoslavia; we are prepared to improve our relations with that sort of government. But it is another thing to say that we could have a Titoist Italy in NATO without fundamental changes in the alliance or in the U.S. perception of NATO. Irrespective of other factors, the primary appeal of Communists to the electorate has to do with their position on social and economic problems that bother the people of the country. Security issues would undoubtedly be low on their priority list if they came to power. This would have effects on the balance of European power and would in turn cause a reaction in the United States. We cannot encourage dialogue with Communist parties within NATO nations. We understand them and their aims, and we doubt they can be moderated by their dealings with the United States. If Communists get into power they will deal with us on the basis of their necessities at the time.

It is not our job to manipulate domestic policies. Our capacity is finite. But it is inconceivable that the United States could maintain ground forces in Europe if there is major Communist participation in Western governments. The foundation of our Atlantic security would therefore be eroded.

There are those who think we are too intransigent in our attitude toward these Western European Communist parties. But we cannot encourage the progress of these parties, nor permit the setting of a precedent in which by our inaction we have facilitated the success of a Communist party. The extent to which such a party follows the Moscow line is unimportant. Even if Portugal had followed the Italian model, we would still have been opposed. It is not just because Cunhal is a Stalinist that we are in opposition. Even the impact of an Italian Communist party that seemed to be governing effectively would be devastating —on France, and on NATO too.

It is difficult to see how we could continue to have NATO discussions if these various Communist parties did achieve control of Western European governments. We could, as with China, perhaps have parallel policies. But the alliance as it is now could not survive. The Western alliance has always had an importance beyond military security. The United States would be alone and isolated in a world in which we had no relations by values to other countries.

As for Socialists, we will continue to support them. We do so in Portugal. We must do so in Italy, although the Italian Socialist party will be unreliable until the Christian Democrats can organize themselves. We have good relations with the SPD in Germany. In Spain there must be an evolution toward democracy and better institutions without eroding the strengths of the country and producing another Portugal. Political demonstrations in Spain will mean bloodshed and the Spanish, at least historically, are not used to resolving their differences peaceably.

Henry Kissinger

The Soviets are not the key element that is producing the present instabilities that we now face in Western Europe. A Communist Western Europe would be a headache for the Soviets as well. They probably prefer not to see Communist powers taking over in Western Europe. But in the final analysis their ideology requires them to assist in these efforts. The U.S.S.R. has probably not been a decisive element in Portugal, but we cannot reasonably expect it to do nothing.

If Communist parties take power in several Western European democracies, there would be a shocking change in the established patterns of American policy. It could result in a situation where the United States would be an island in its own values, and thereby be forced to manipulate various Communist centers of power against each other. The United States could probably survive this situation, but only through the use of a ruthless balance of power policy. If we were to have to do this, we would have lost the moral foundation we have operated on for our entire history.

There is an inconsistency perceived in the United States between our opposing Communist governments in Western Europe and our talking to them in Eastern Europe. We must overcome this problem in the public's mind.

Chicago Options Table

Insurance Stocks

TransprtLfe .17e	55	3½	3⅝	− ⅛
Unicoa	214	29	30	− ¾
UnitAmer Life		2¼	2¾	− ⅛
UnFireCasl 110		17	18	
UnitFireIns .30	4	7	7½	
UnitSvLf (II)		2¾	3½	
UnitSvcLife .40	4	9⅞	10¼	− ⅛
Vica Corp	30	2	2¼	+ ⅛
WestnCasSur .72	20	19½	20	
WestnStaLfe .25e		7¾	8½	
Windsor Lfe		2⅛	2⅝	
WrldSvcLfe .20e	22	6½	6⅝	− ⅜
Zenith Nat Ins	8	4⅜	4⅞	
Zenith United	70	1¼	1¾	+ ⅛

NYSE Averages

Week Ended April 9, 1976
New York Stock Exchange

	High	Low	Last	Net Change
Indust	62.08	58.61	59 61	− 1.29
Transp.	39.86	37.58	37.63	− 1.24
Utils.	36 02	35.24	35.24	− 0.49
Finance	54.48	52 10	52.10	− 1.49
Composite	55.31	53.59	53 41	− 1.13
Standard & Poor's				
425 Indust.	117.69	112.32	112.85	− 2 20
15 Rails	45 74	43 65	43.91	− 0 88
60 Utils	46.74	45 44	45.71	− 0.48
500 Stocks	10 63	99 87	100 35	− 1.90
Dow Jones				
30 Indust.	1016.35	964 54	960.28	−22 20
20 Transp.	212 20	201.12	202.34	− 4 64
15 Utils	88.06	85.41	85.73	− 1.31
65 Comb	309.14	293.92	295 29	− 6.66

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EBIC, European Banks International. Seven leading independent banks. Each bank is a separate entity. Together we can offer a lot of financial weight in some very competitive markets.

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1. In Europe. In addition to our more than 9800 branches, we also have European Credit Bank (BEC) in Brussels and European Banking Company in London for long term, large scale international financing (European Banking Company also has a branch in Chicago).

2. In America. You will find European-American Banking Corporation with offices in New York, Los Angeles and San Francisco and European-American Bank & Trust Company with more than 100 branches in the New York area.

3. In Asia. We're in the major business centres of Singapore, Hong Kong, Manila, Jakarta, Kuala Lumpur and Karachi as European Asian Bank.

4. In Australia. There is the Euro-Pacific Finance Corporation in Melbourne and Sydney.

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ebic
European Banks International

Amsterdam-Rotterdam Bank
Banca Commerciale Italiana
Creditanstalt-Bankverein
Deutsche Bank
Midland Bank
Société Générale de Banque
Société Générale

New York Bond Sales

Gninsir 5s92	103	56½	54¼	55½	
GnInst 4½85	16	67	66½	66⅝	− ⅜
GMA 8s93	218	99	97⅝	98¾	+1⅞
GMA 5s77	217	98	97¼	98	+ ⅛
GMA 5s80	172	91¾	90¼	91¾	+1⅜
GTelE 5s92	187	70½	69½	69½	
Gdyr 8.65s95	16	100	98½	99½	−1½
Grace 6½s96	312	102½	99	99	−1½
GranC 4¾s94	66	73¾	72⅝	73¾	+ ⅛
Grolier 9½s9	198	62½	61⅛	61¼	− ¾
GuaM 7½s79	176	33½	31	31½	−2
GIMO 5s 56f	5	45⅝	45⅝	45⅝	+ ½
GHW 5½s93	1005	102	94¼	95	−5
Hercul 6½s99	202	112	105	107	−8
Heubn 4½s97	167	94	90	90	−1½
HiltnH 5½s95	100	77	75	75	−1
InMinC 4s91	74	97¾	97	97	−5
IPap 8.85s95	29	103	101½	102	−
InTT 8½s2000	265	119	115	115	−3
Itel 7s95	167	65½	61	61	
Litton 3½s87	134	54⅞	52½	54¼	+ ¾
Lockh 4¼s92	484	40½	38⅛	39½	−2
Loew 6⅞s93	444	71½	70¼	71¼	+1
LTV 5s88	571	52¼	51½	51¾	+ ⅝
Marcr 6½s88	309	84¼	82½	83½	+1½
UPRR 8⅝s95	75	104¼	103⅜	104¼	+1⅛
UnAL 4¼s92	57	56	55	55¼	+ ¼
Un Mer 4s90	111	61	59	59	−1⅝
US Sll 4⅝s96	242	68½	66⅝	67¼	+ ⅞
UnTec 9s85	37	104	103½	104	+1
UnTec 5½s91	100	94⅛	91	91½	− ⅝
UVInd 5½s93	19	74¼	73	73	−1
WUC 9⅝97	146	53½	52	53	− ½
WaigE 8⅞s95	181	98	96⅝	98	+ ½
Whit C 5½s92	270	89	86¾	87	−1
Wornt 5½s94	11	85	84⅞	84⅞	−1⅛
Xerox 6s75	505	99¾	99½	99¾	+ ⅜

Bank Stock Quotations

(Closing prices of the week's trading.)

	Bid	Asked
Bankamerica	50¾	51¼
Baystate Corporation	25	25¼
Cleveland Trust Cp.	40¼	41¼
Detroit Bank Corporation	50	51
Fidelcor Inc	23	24
First Md. Bncp	21⅞	22½
First Nat Cinn	26¼	27½
Girard Corporation	38½	39½
Harris Bank Cp. Chic	33¼	34
Ind Val. Bank & Trust Phi	21	22
Lincoln First Banks	21½	22½
Mellon Nat. Bank Pitts	54¼	55
Nat City Corporation	34	34¾
New England Merch Bostor	15⅜	15⅞
Philadelphia Nat Corp	38¼	39¼
Pitts. Nat. Corporation	35¼	36
Prov. Nat. Corporation	22¼	23
Secur Pac. Corporation	21⅜	21¾
Shawmut Ass. Boston	24	25
Sta Str Bank Boston	22	23
U.S Trust New York	33¼	34¼
U.S. Va Bankshares	14⅞	15⅜
Virginia Nat Bnksh	16	17

Treasury Bills

Apr. 15, 1976	4 90	4 60	4.67
Apr. 22	4 91	4.69	4.77
Apr. 29	4.89	4 65	4.74
May 4	4.86	4.56	4.67
May 6	4.84	4.58	4.75
May 13	4.84	4.66	4.76
May 20	4.85	4.67	4.77
May 27	4.85	4.71	4.82
Jun. 1	4.86	4.72	4.83
Jun. 3	4.86	4.74	4.85
Jun. 10	4.85	4.73	4.85
Jun. 17	4.88	4.76	4.88
Jun. 24	4.88	4.76	4.89
Jun. 29	4.87	4.73	4.90
July 1	4.90	4.82	4.95
July 8	4.90	4.85	4.99
July 15	4.96	4.84	4.90
July 22	4.98	4.88	5.03
July 27	5.00	4.88	5.03
July 29	5.00	4.90	5.06
Aug. 5	5.02	4.92	5.08
Aug. 12	5.03	4.91	5.08
Aug. 19	5.05	4.95	5.12
Aug 24	5.02	4.94	5.12
Aug. 26	5 10	4.93	5.16
Sep. 2	5.10	4.98	5.16
Sep. 9	5.11	4.99	5.15
Sep. 16	5.14	5.02	5.22
Sep. 21	5.16	5.02	5.22
Sep. 23	5.16	5.06	5.27
Sep. 30	5.17	5.07	5.28
Oct. 7	5.18	5.12	5.34
Oct. 19	5.21	5.09	5.31
Nov. 16	5.26	5.12	5.35
Dec. 14	5.32	5.20	5.49
Jan. 11, 1977	5.42	5 30	5.56
Feb. 8	5.46	5.34	5.62
Mar. 8	5.50	5.40	5 66
Apr 5	5.60	5.46	5.77

Currency Rates

By reading across this table of Friday's closing inter-bank foreign exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial centers. These rates do not take into account bank service charges.

	$	£	DM	FF	L. It.	Gldr.	BF com	SwissF	Dan.Kr
Amsterdam	2.6370	4.9450	106.035*	57.695*	30.55y	—	6.6950*	106.22*	44.40*
Brussels (c)	39.0	71.76	15.3385	8.3725	4.436*	14.315	—	15.407	6.437
Frankfurt	2.5403	4.6553	—	54.51*	2.996x	94.27*	6.503*	100.29*	41.80*
London (s)	1 8373	—	4.8590	8 5575	1.610	4.9375	71 65	4.6535	11.1525
Milan	878.90	1616.40	347.30	183.05	—	327.22	22.57	346.10	145.12
Paris	4.68075	8.58625	183.795*	—	5.27375x	173.500*	11.9492*	164.050*	76.825*
Zurich	2.5325	4.6504	99.79*	54.34*	0.2877*	94.21*	6.49*	—	41.9*

The following are dollar values only: Danish krone: 6.0610; Escudo: 29.56; Israeli £: 7.53; Peseta: 67.235; Schilling: 18.165; Sw. krona: 4.40875; Yen: 297.73; Belgian financial franc: 40.45; Canada $: 0.9765; Hong Kong $: 4.9650.

(c) Commercial franc (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 (s) Amounts needed to buy one pound.

Consolidated Trading Of NYSE Listing

Consolidated Trading Of AMEX Listing

Volume: 14,074,115 shares.
Year to date: 267,497,750 shares.
Issues traded in: 1,198.
Advances: 284; declines: 706; unchanged: 202.
New highs, 33; news lows, 38.

Senate Considers Bill on Disclosing Officials' Funds

WASHINGTON, April 11 —The Senate is considering a bill that would require the president, Congress, federal judges and other government officials to make full disclosure of their finances.

The result of 14 months' deliberation, the bill also would create a division in the Justice Department to investigate government employee crimes, and would set up the mechanism to name a temporary special prosecutor in cases of serious accusations against an incumbent president or members of his administration.

The bill, presented to the Senate Friday, represents a redrafting of recommendations made in the final report of the Senate Watergate committee.

Financial disclosure provisions of the bill apply to the president, vice-president, cabinet members, senators, House members, judges and all military officers at or about the rank of Army colonel or Navy captain.

The measure applies to all federal employees earning more than $36,000 a year and to their spouses and dependents. In all, 15,000 persons would be required to file disclosure reports annually with the General Accounting Office.

Industrial Output Rises By 2.9 Per Cent in Italy

ROME, April 11 (AP-DJ) — Italy's index of industrial production stood at 113 in February (1970 equals 100), up 2.9 per cent from the like 1975 month, the government statistics bureau announced.

It was the best showing since September 1974, and only the second time since then that the index had posted an advance. Last December it rose 1.5 per cent.

For the January-February period, production was 1.3 per cent higher than in the like 1975 months.

British Steel Loss Seen

COATBRIDGE, England, April 11 (Reuters). —British Steel Corp. is expected to show a loss of about £250 million for the year ending April 4, Sir Monty Finniston, head of the corporation, reported. He told a press conference here that British Steel should make a profit again during the 1977-1978 period.

BUSINESS

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

FINANCE

PARIS, MONDAY, APRIL 12, 1976

...market

...od of New Issues Expected ...diately After Easter Holiday

By Carl Gewirtz

...il 11 (IHT).—The ...ssues coming on of- ...obond market slow- ...k as the market ... the Easter holiday. ...ys with investment ...nd Europe indicate ... a flood of new of- ...ediately after the ...

... opinion, however, ... whether the market ... the anticipated ... majority opinion is ... These analysts note ...d market is in a ...7 sound technical ... short-term interest ... and in fact falling. ...-month Eurodollar ...n effect is the cost ...al operators to fi- ... inventory of bonds, ... of a point to 6 per ... first time since ... one-year funds, at ... per cent, are at the ...ave been for more ...

...n to encouraging ...entory bonds, these ...o mean that there ...ive for investors to ...ir maturing Euro- ...s and much attrac- ... to invest in bonds.

...s Are Split

...n say with any ac- ... much money con- ... siphoned from the ...t to the bond mar- ...s the point at which ...s and the optimists ... The optimists main- ...ere is plenty of ...ailable to buy bonds, ...y acknowledge that ... is becoming more ... seeking high-quality ...

The pessimists, at this point a clear minority, read the increasing selectivity as a sign that the availability of new cash is falling—not surprising after the record volume of the first three months of the year—and that the anticipated post-Easter volume will be difficult to absorb.

"The market is thoroughly saturated," says one of the pessimists, "and it needs a breather."

The behavior of the market last week was certainly confused and offered no clear guidance as to which of the conflicting views is correct. The most striking development was the poor performance of Brascan International's six-year notes. The size of the loan was increased to $30 million from $25 million initially indicated and it was priced at par, but it subsequently traded at a sharp discount of 98 bid-98 3/4 offered.

Canadian Market

In the Canadian-dollar market, the $Can 35-million loan for Canadian Pacific Securities fared little better. Priced at par with a coupon of 9 1/4 per cent, the seven-year paper was quoted at 98 1/4-98 3/4.

The public issues for the EEC also continue to languish in the secondary market and represent another potential weak point if banks should decide to unload the paper they have been left sitting with. The problem here is not credit worthiness, but rather too much paper at one time.

By contrast, such recent issues as Alcan and Newfoundland & Labrador are trading at hefty premiums over their issue price.

The new issue market is also marked by increased investor selectivity. Budd Automotive, for example, had a hard time winning supporters. "It's not a riot," insiders admit, but the $20 million of seven-year notes carrying a coupon of 9 1/2 per cent will be done.

Professionals Surprised

Better-known names, however, are having no trouble. This was the case for Norsk Hydro, despite the rather long 12-year maturity on the 100 million DMs, which sold at 99 1/2 with a coupon of 8 per cent and Austria's 100 million DMs of 10-year bonds sold at 99 3/4 with a coupon of 7 3/4 per cent. The same is true for the 10-year loan for International Harvester Credit Corp. of Canada, which is offering a coupon of 9 3/4 per cent on its $Can. 25-million loan.

The continuing pace of issues denominated in Canadian dollars continues to surprise many professionals since the currency

(Continued on Page 25, Col. 1)

Economic Indicators

WEEKLY COMPARISONS

	Latest Week	Prior Week	1975
Commodity index ..	199.6	197.3	199.9
*Currency in cir. ..	$85,735,000	$85,154,000	$78,355,000
*Total loans	$118,304,000	$118,738,000	$129,659,000
Steel prod. (tons)..	2,588,000	2,592,000	2,563,000
Auto production ...	192,524	175,117	130,898
Daily oil pr'd (bbls)	8,146,000	8,049,000	8,399,000
Fr'ght car l'dings ..	......	467,478	425,232
*Elec Pwr. Kw-hr. ..	36,022,000	36,012,000	36,684,000
Busn failures	194	304	257

Statistics for commercial agricultural loans, carloadings, steel, oil, electric power and business failures are for the preceding week and latest available.

MONTHLY COMPARISONS

	Mar.	Prior Month	1975
A-Employed	86,692,000	86,319,000	84,110,000
A-Unemployed	7,027,000	7,136,000	7,770,000
	Feb.	Prior Month	1975
A-Ind'stl Prodn	119.9	119.2	111.2
B*Personal Income.	$1,328,000,000	$1,315,000,000	$1,203,200,000
A*Money supply .	R$296,800,000	$295,300,000	$281,900,000
Csmrs price index .	167.1	166.7	157.2
A-Cnstrctn contr'cts.	170	183	140
A*Mfr's inventories.	$147,204,000	$147,030,000	$151,194,000
A*Exports	$8,800,100	$9,103,400	$8,754,600
A*Imports	$8,940,900	$9,176,000	$7,927,600

*000 omitted. †Figures subject to revision by source.

Commodity Index, based on 1967=100, the consumers price index, based on 1967=100, and employment figures are compiled by the Bureau of Labor Statistics. Industrial production is Federal Reserve Board's adjusted index of 1967=100. Imports and exports are compiled by the Department of Commerce. Money supply is total currency outside banks and demand deposits adjusted as reported by Federal Reserve Board. Business failures compiled by Dun & Bradstreet, Inc. Construction contracts are compiled by the F. W. Dodge Division, McGraw-Hill Information Systems Company.

R-Revised.
A-Seasonally adjusted.
B-Seasonally adjusted annual rate.

The U.S. Economic Scene

Tough Agenda for Probe of Business Corruption

By Richard E. Mooney

NEW YORK, April 11 (NYT).—President Ford's new Cabinet-level task force on corrupt business practices will meet tomorrow for the first time. Its work is formidable.

The task force will address the critical question of what should be done about the bribes, kickbacks, inflated commissions and other forms of deception that appear to have become an accepted element of selling U.S. goods and services to foreign customers. There is, at this time, almost total disagreement on the proper remedy or remedies and considerable skepticism that there even is such a thing as a remedy.

The creation of the task force itself was greeted with skepticism. The President did not show any real concern for the corruption issue until the list of companies that have made payoffs—and finally admitted them under pressure—became too long to ignore. When he did eventually acknowledge that this was a national problem, it appeared that his study-group approach might only be an election-year contrivance, designed to create the impression during the campaign season that a Republican president is not soft on big business.

Mr. Ford has put Secretary of Commerce Elliot Richardson, a man with a well-earned reputation for probity, in charge. There will be interim reports but the project still has the built-in cushion of not having to produce final conclusions until after election day.

As of now, more than 80 corporations have acknowledged publicly that they made questionable payments overseas. Early reports seemed to show a pattern of payoffs by aerospace and pharmaceutical companies in particular but it is beginning to look as though no industry is entirely clean. Moreover, the wide range of the dollar amounts admitted to so far has raised a question among insiders. Some of the admitted payments are so small they create doubt as to whether full confessions are being made in all cases—and, indeed, some companies assert they have had difficulty in unearthing all they are being asked to report.

Last week, about 1,200 large corporations received an unwelcome questionnaire from the commissioner of internal revenue which should elicit a lot more information about misadventures at home as well as abroad. It begins:

"Did the corporation, any corporate officer or employee or any third party acting on behalf of the corporation make, directly or indirectly, any bribes, kickbacks or other payments, regardless of form, whether in money, property or services, to any employee, person, company or organization, or any representative of any person, company or organization, to obtain favorable treatment in securing business or to otherwise obtain special concessions, or to pay for favorable treatment for business secured or for special concessions already obtained?"

The next question is whether any such payments were made "to or for the benefit of any government official or employee, domestic or foreign." There are 11 questions in comparable detail. The final query, in effect, is whether there is anyone else, inside or outside the company, who knows what has been going on and should be questioned.

Tax law appears to offer one effective means for catching some of the corporate culprits. Bribing a foreign customer may not violate any U.S. law, but deducting a bribe—foreign or domestic—as a business expense does violate the tax code.

To date, the principal avenue of federal enforcement in this spreading scandal has been the Securities and Exchange Commission's requirement that a company whose stock is publicly held must disclose all "material" financial facts about itself. The SEC has been the most effective agency in bringing out what is known so far about the payments in question. But there is still no consensus on what constitutes a "material" fact, or how much detail must be disclosed, or what needs to be done about the payments once disclosure has been made.

Beyond stronger enforcement of laws that are already on the books, the proposed remedies fall mainly into two areas—new law and new codes of conduct.

New law might stiffen the penalties for corporate misbehavior and outlaw some practices. The aim, of course, would be to stop corrupt practices. In the eyes of some businessmen, it would instead stop business. In the eyes of some others, it would only create new barricades to be maneuvered around—and the maneuvers would find a way because payoffs are "a fact of life."

New York Stock Market

NEW YORK, April 11 (NYT).—The New York Stock Exchange started out last week with a burst of enthusiasm, generated mainly by settlement of the nationwide trucking strike, but then the rally fell apart amid pessimistic predictions by a leading analyst.

"What it really proved," one broker said at the end of the week, "was that the market finally was ready to correct some of the substantial gains made earlier this year."

On Monday, the Dow Jones industrial average soared 12 1/2 points to finish at 1,004.09 as market leaders such as International Business Machines and General Motors rose to their best levels since 1973. This put the market within striking range of its 38-month closing high of 1,009.21 reached on March 24.

The rally thereupon ran out of momentum and by midweek the pullback was pronounced as the 1,000 area once again proved something of a nemesis.

For the full week, the blue-chip average lost 23.30 points as it closed at 968.28. Volume of 106.23 million shares compared with the previous week's 86.88 million shares.

Edson Gould, regarded as the "dean" of technical analysts, startled Wall Street at midweek with his forecast that the Dow could drop 100 or more points in the relatively near future. The downturn in trading volume since the peak levels of January and February was cited by Mr. Gould, who remains bullish for the long-term outlook, as a key reason for current pessimism.

Investors and traders took his words to heart—or, at least, used them as an excuse to sell stock—because of Mr. Gould's past successes in calling market turns.

Meanwhile, the bond market posted higher prices—and lower yields—during the week.

Over-Counter Market

(AP) — Weekly Over the ...rials giving the high, low ...ices for the week with the ...n the previous week's last quotations supplied by the ...ation of Securities Dealers ...ctual transactions but are ...

Sales in 100s	High	Low	Last	Net Ch'ge
Bralorne Res	175	2¾	2¼	2⅝+ ⅛
BrassCraftMf .16	11	15	14¼	14⅝— ⅜
Brencolnc .80	278	24	23¾	24 + ¼
Brennerind .20	20	6	5¾	6 + ⅛
[illegible]				

Sales in 100s	High	Low	Last	Net Ch'ge
DiamCrysSlt .60	122	15½	14¾	14⅞— ¾
Diamondhd Cp	66	3⅝	3⅜	3⅜
DiamSh pfE .15	3	52½	49¾	49¾— ½
DibrellBros .80	55	15¼	14½	15¼+ ½
[illegible]				

Sales in 100s	High	Low	Last	Net Ch'ge
MSI Data Corp	148	6¾	6½	6⅝+ ⅛
MTS Systems .10	42	8¾	8¾	8¾
MacDermid .52	13	7½	7¼	7½
MadisnGsEl 1.20	99	13⅛	12⅞	12⅞— ⅛
[illegible]				

Sales in 100s	High	Low	Last	Net Ch'ge
MarcusC+p .10r	164	8½	8¼	8½+
Marine Colloids	38	8¾	8⅝	8⅝— ⅛
Marion Corp	203	9	8⅝	8⅝— ½
MarkProds .12	183	2⅛	1¾	1¾— ⅜
[illegible]				

Sales in 100s	High	Low	Last	Net Ch'ge
McQuay Pfex .84	138	18¼	17¾	18¼+ ¾
Measurex Corp	434	14⅞	13⅝	13⅝+ ⅛
Medcom Inc	207	3¾	3¼	3¼
Medford Cp 1.20	33	33½	33	33½+ ¼
[illegible]				

(Continued on Page 24, Col. 1)

(Continued from Page 22)

	Sales in 100s	High	Low	Last	Net Ch'ge
Microform Data	700	4⅞	3⅞	4⅛	+ ¼
Micron Corp	80	¾	⅝	⅝	— ⅛
MidAmInd .18b	95	6½	6½	6½	
MidlandCap .1e	5	2⅝	2½	2⅝	+ ⅛
MidwtDist A .15e	256	9⅛	8⅝	8⅝	— ½
MidwtnFidlty .44	11	8	8	8	
MidwGasTr 1.20	15	13¼	12¾	12¾	
MillerHS RltyTr	14	4¾	4½	4½	
MilliporeCp .16	422	57½	54	54	—2½
MineSafeApp .68	40	48½	47	47	—2
Mineral Enginrg	102	4	3½	3⅞	— ⅛
MinnsotFab .20e	93	9	8½	8½	— ⅜
Minnesot Gs 1.66	11	19½	19⅜	19½	+ ⅛
Mischer Corp	67	3⅞	3⅝	3⅞	
MissValGas 1.20	22	12¾	12⅝	12⅝	
Mr Steak	255	3⅜	2¾	2¾	— ⅝
MrsSmithsP .24	10	16¾	16½	16⅝	+ ⅛
ModernMer .04e	1402	23½	19⅛	19½	—3¾
ModernMerch wt	192	15¼	12⅝	12½	—2
ModularCom Sys	224	10½	9¾	9¾	— ¾
MogulCorp .40	163	19¾	18	18	—1¾
Molex Inc	17	25½	24½	24½	—1
MontortColo .06e	92	6	5⅞	5⅞	+ ⅛
Moore Corp 1.20	808	47½	48½	48½	
Moore Sam .20	340	17¼	15¾	15½	—1⅜
Moran Bros	8	4¼	4	4¼	+ ¼
MorrisonInc .48a	205	30⅞	30	30	— ½
MtgInvWash .66a	39	3⅞	3¾	3⅞	+ ⅛
Mosinee Pap .60	2	13	13	13	
Mostek Corp	1607	18⅜	16⅝	16⅝	—1⅞
Motion Ind .16	112	22¾	22½	22½	— ¼
MotClubAm .10	76	2½	2⅜	2⅜	— ⅛
Mueller Paul .68	2	11½	11½	11½	
Multimedia .32	63	19¾	19½	19¾	+ ⅛
MyersInd .10	121	5⅛	5	5	
Mylan Labs	16	2	2	2	
NUS Corp A	130	9	5¼	7¾	+2¾
NaChursInt .05h	29	5¾	5⅝	5¾	+ ¼
Narrag Cap .50e	33	7	7	7	

	Sales in 100s	High	Low	Last	Net Ch'ge
NathanFam .05e	109	5⅜	5⅜	5⅜	
NatByProd 1.20	3	15½	15	15½	+ ½
NatConven Str	52	8½	8½	8½	
NatData Comm	199	4	3¾	4	+ ¼
Nat Data Corp	620	6½	5¾	5¾	— ½
Nat Liberty .11e	104	4¾	4¾	4¾	
NatMineSvc .80	93	17½	16⅝	17¼	
NatUtilInd 1	35	11½	11¼	11¼	— ¼
NatwdeRlEs .17e	35	4¼	4	4	
Naum Bro	101	5¾	5¾	5¾	
NesdhmHarp .40	20	5⅞	5⅝	5⅝	— ¼
NelsonThomas		10½	10½	10½	
Neutrogena .10e	55	9¼	9¼	9¼	
NewAmFd 1.21e	44	8¼	7¾	8¼	+ ⅜
NJ NatGas 1.32	49	13½	13¼	13¼	
NewPennExp .28	42	6¼	6¼	6¼	
NewPlanRl 1.68	20	13½	13¼	13½	+ ¼
NewellCos .50	153	11¼	10⅞	10⅞	— ⅜
Nicolet Instrum	67	11½	11	11	— ½
Nielsen A .44	708	23¼	22⅝	23	+ ½
Nielsen B .44	1274	22⅝	21⅞	22⅛	— ⅛
Nobility Homes	19	4¾	4½	4½	— ½
NobleAffil .40	79	24	23	23	— ½
NolandCo .64	37	20	19	20	+ ¾
Nord Resrcs s	154	10½	9½	10¼	+1
NordstrmInc .56	124	19¾	18	18½	—1½
NorCaroNG 1	64	12⅛	11⅞	11⅞	
NorEurOilRT un	59	21½	21	21¼	
NoreastPet .25	289	12¾	11	12¾	+1¾
NorStaBncp .40	64	6½	6¼	6¼	— ¼
Northrp King .08	898	15⅞	13⅛	13⅛	— ⅜
NwstNatGas .80	204	8⅜	8⅛	8⅛	— ⅛
NwstnFinCp .30	38	9⅞	9¾	9¾	— ⅛
NwstnFinl Inv	75	4⅛	3⅛	3¼	— ⅞
NwstPubSvc 1.70	79	18¼	17⅜	17⅞	+ ¼
NwstSPtCem 1b	12	17	16½	17	+ ½
NoxellCorp .48	497	16	14⅝	14⅝	—1¼
Nuclear Dynam	234	8¼	6¾	6⅞	—1⅜
NuclearSvcs .17e	97	3⅝	3⅛	3⅛	— ¼
OakHillSport .28	29	8¾	8½	8⅝	+ ⅛
OceanDrExp .20	241	30	28	28	—1¾

	Sales in 100s	High	Low	Last	Net Ch'ge
Ocean Explor	666	8¾	6¾	8½	+1¾
Ocean Oil&Gas	73	16	15½	15½	— ¼
OceaneerInt .05e	77	9¾	8½	8¾	—1
OffshrLogist .10a	234	17⅞	16⅝	16⅝	— ⅜
OgilvyMathr 1.16	126	25½	24¼	25¼	+1
OhioFerroAl .80b	66	22¼	20	20¼	—1¾
Oil Shale Corp	6187	5⅛	4½	5⅛	+ ½
OlympiaBrw .80	135	26½	25	25	— ½
Omaha Natl 1.50	6	16¾	16¾	16¾	
Opiet Corp	64	1⅛	1	1	— ⅛
Optical Coatg Lb	29	6¾	6½	6½	— ¼
OrbancoInc .10e	56	11¾	11¼	10¾	+ ½
OregFreezDry s	17	3⅞	3¾	3¾	— ⅛
OregonPCem .88	13	13	12¾	12¾	
Orion Research	61	4½	4¼	4½	+ ¼
Ormont Drg Ch	660	11	8¾	11	+1⅝
Oshmans SportG	9	14¼	13¾	13¾	— ½
OtterTailPw 1.56	93	17⅞	17¼	17¾	+ ⅜
OverNatAir .50e	397	7½	6½	6⅝	— ⅜
OwensMinor .24	12	12¼	12	12	— ¼
OxfrdPendflx .60	42	19¾	19	19¾	+ ¾
Oxoco	245	1	⅞	1	+ ⅛
PVO Intl .85e	60	12¼	11¾	11¾	— ½
PabstBrew 1.04	2948	25½	24⅝	25⅛	+ ⅜
PaccarInc .80a	195	32¾	31½	31½	— ½
PacCoast Hold	196	5¾	5	5	— ½
PacFarEast Lin	50	11	11	11	
PacGamRob 1.40	79	26½	25¾	25¾	
PakoCorp .48	59	10	9½	9½	— ½
PamexFds s	70	4½	4	4	— ½
PanexCorp .02e	1	3¾	3¾	3¾	
Pendick Press	144	7½	7¼	7¼	— ¼
ParkOhioInd .60	57	10¾	10⅝	10⅝	— ⅛
Pathcom Inc	993	16½	13⅛	13⅞	—2⅝
PaulHarrisSt .20	17	17½	17	17¼	+ ¼
Paul Rever 1.31c	29	13	12¾	13	
Pauley Potrolm	40	5¼	4¾	4¾	— ⅜
PayLessDrug .40	113	16¾	16½	16½	
Pay N Pak .48b	245	14½	12¼	12¼	—2¼
Pay N Save .40	489	29⅞	27⅛	27⅛	—1⅞
PaylessCash .30	602	25½	24½	24½	— ¾
PeaveyCo 1	155	19⅛	18⅝	18⅞	— ⅜
PeerlsChain .64b	27	12¼	11¾	11¾	— ¼
PeerlessMfg .48b	6	13	12¾	13	+ ¼
Penn Corp .10e	24	6¾	6½	6½	— ¼
PennVa 1.60	22	58	57	57	— ½
PennEnterp 1.40	50	15	14⅞	15	+ ⅛
Pennz La Tx B	556	4⅝	4½	4½	— ½
PennzOffshGs B	4166	12⅞	11⅜	11⅜	—1½
PentairInd s	136	8½	8	8	— ½
Pepsi CBWsh .40	34	10⅛	9¾	9¾	— ⅝
PetersonH&H .38	200	13¼	12½	12½	— ¾
Petrolite 1.10	12	77½	76½	76½	—1
PettiboneCp .60b	27	26	25¾	25¾	+ ¼
Phoenix Candy	16	6½	5¾	5¾	— ½
PhysioContrl Cp	50	11	9	9	—2
Pic n Save Cp	81	19	17¾	18	+ ¼
PiedmtAvia .30e	42	4⅞	4⅝	4⅝	— ⅛
Pinkertons 1.40	317	34½	34	34¼	
PioneerFood .20	13	5¼	5¼	5¼	
PionrHiBrd .60e	418	28	26¼	26¼	—1¾
PioneerStdEl .22	89	9¼	8¾	8¾	— ¼
Pioneer Wstn	74	4¾	4½	4½	— ¼
PizzaInn s	339	13¼	12¾	12¾	— ¼
PollutnCont Ind	147	2¾	2½	2¾	
Polymer Mat .20	20	5⅞	5¾	5¾	— ⅛
Popell Bros .40	36	4⅛	4	4	— ⅛
PosiSeal Intl	83	5⅝	5⅛	5⅛	— ¼
PostCorp .60	13	10	9¾	10	+ ¼
Pott Ind .60	233	20⅝	21¾	21¾	— ⅜
PowerTest .30	21	7¼	7	7	— ¼
Powers Reg .70	231	14⅝	12¼	13¼	+1
Pratt Henry .40	17	16	15½	15½	— ½
PrecMetHld .44e	405	6⅞	6⅛	6⅛	— ¼
PrecisCastpart s	24	10	9½	9¾	— ¼
PrestoProd .40	81	24	19¼	19½	—4½
PrestonTruck .36	100	30	28¾	28¾	
Prime Inc	106	10½	10	10	— ½
Process Systems	169	2⅛	2	2⅛	
Programd Rem	8	4	3¾	4	
Progressive Cp	178	9¼	8¾	8¾	
PropertyTr Am	52	3⅜	3¼	3⅜	+ ⅛
PubSvNoCar 1.04	108	10½	11⅛	11⅛	+ ⅛
Pulaski Furnitur	18	14	13	13	—1
Puritan Bennett	165	17¾	16	16	—1½
Putnm Duo Cap	36	6¼	6	6	— ⅛
PutDuoInc 1.28a	23	15½	15	15½	
Quaker Chem .88	61	43¾	39½	40	+ ½
QualityInns Int	110	3⅜	2⅞	2⅞	— ⅛
Quantor Corp	41	4¾	4⅝	4⅝	— ⅛
RPM Inc .28	102	14	13½	13½	— ½
RahallCom .05e	3	4½	4½	4½	
Rainbow Resrcs	123	8⅝	8	8⅝	
Rangaire .24b	10	10⅛	10	10	— ⅛
Rapidata Inc	95	4	3⅝	3⅝	— ⅜
Raychem Corp	110	193	185	185	—5
RaymondCp .30b	58	13¾	12½	12⅝	—1
RealtyMtgI 1.26e	57	10⅞	10⅝	10⅝	— ⅛
Recognition Eq	1219	10¼	9¼	9⅛	—1¼
RedfernFds .20	18	6⅛	6	6	— ⅛
RedkenLabs .10e	902	24	20⅝	20⅞	—3½
RegencyElec .40	943	26⅛	23⅝	23⅝	—2⅝
ReidProvid Labs	25	4	3¼	3¼	— ¾
RelianceUniv .60	88	11½	10	10	—1½
ResdelInd .20	120	14¼	12¼	12½	—1¾
Research Ind	216	7⅜	6⅝	7¼	+ ¾
ReserveOil Min	362	34	31	33	+2
RevellInc .44b	9	9⅛	8¾	8¾	—1¼
RexPlastics .20	35	8½	8¼	8¼	— ¼
RexPrecision .40	17	9	8¼	8¼	— ¾
Reyn&Reyn .32	241	18	17	17⅛	— ¾
RichsInc 1.16	521	24½	23½	23½	— ¼
RingamdPd .08e	375	5⅝	4¾	5	— ½
Rival Mfg 1.40	881	35¼	31	31	—3½
Rixson Firemrk	165	6¼	5¾	6¼	+ ½
RoadwayExp .40	991	51	47¼	48¾	+2

Over-Counter Market

(Sales in 100s, High, Low, Last, Net Ch'ge; Robbins Myer through Tampex Inc, and further columns Tanneco … WoHolding: [illegible])

American Exchange Options

(Option & price; Apr., Jul., Oct. Vol. Last; N.Y. Close: [illegible])

هكذا من الأصل

Euromarket

…ied from Page 23)

…at a hefty 2-per-cent …over the U.S. dollar. … sector of the market …ast year the Canadian … at a 4-per-cent dis… the U.S. currency.

…ent premium is said …counted for the poor …f the Canadian Pacific …other explanation for …formance was that its …ent coupon for seven …ared unfavorably with … per cent offered by … whose 10-year bonds …erage life of 7.94 years.

… test of where things …ds sector will be made …ith the Union Carbide …td., offering of $Can. … split evenly between …otes carrying a cou… 1/4 per cent and 10-…s carrying a coupon …er cent. The company … cent owned by Union …f the United States, …ated double-A. How… parent company is not …ng these bonds.

…notes will no doubt … competition from the … million of five-year …l on offer from In…cceptance Corp., which …ry a coupon of 9 1/2

…oans still on offer in-

…illion for Sandvik, the …teel firm, which is of-… pay 9 1/2 per cent for …onds. The average life … per is 7.25 years.

…million for the Long-…dit Bank of Japan. It …; to pay 8 3/4 per cent …ear funds.

…million for Groupement …trie Sidérurgique. These … notes are expected to …upon of 9 1/4 per cent.

…million for the Royal …Scotland, in seven-year …ite notes. The coupon … at a quarter of a point … London interbank rate …but is guaranteed to …et below 7 3/4 per cent. …unt of this loan was in…from the $25 million …ndicated.

…million DMs for Asahi …This is a 10-year con… the second ever to be … DMs. The bonds will … semi-annual coupon of … cent and will be con…t a price of 5 to 10 per … the closing Tokyo price … stock when the final … set.

… Euroguilder market, …ederlandse Cement In…38 per cent owned by … Cementbedrijven, which …teeing the loan, is seek…illion guilders for seven …th a coupon of 8 1/2

…ll appearances, activity is once again picking up in the Middle East. Meidensha Electric Manufacturing Co. of Japan is floating a five-year loan of $10 million with a coupon of 9 1/4 per cent. Guaranteed by Sumitomo Bank, this paper is reportedly being placed with Mideast investors.

New Mideast Activity

This is also true for the notes being floated by Mexico's Banco Nacional de Obras y Servicios Publicos for 6 million Kuwaiti dinars. The notes have a maturity of 10 years but are redeemable after five years at the option of the noteholders. A coupon of 8 1/2 per cent is being offered.

Another Mideast loan currently on offer represents a new departure, a redeemable floating-rate loan with a progressively higher rate of return to investors. The borrower is the National Bank of Hungary, which is raising $25 million for four years.

The coupon on the notes, to be set every six months, will be the London interbank offered rate for six-month Eurodollars, which is currently around 6 per cent.

The notes, designed for institutional investors, will be sold in denominations of $100,000 and will be issued at a discount of 97 —meaning investors put up $97,000 for each $100,000 face-valued security.

Raising the Yield

The notes can be cashed in at any six-month coupon date. At the first date, the investor would be redeemed at 97 and would have earned 6.18 per cent on an annual basis (6-per-cent interest paid on $100,000 which cost the investor $97,000). At the second coupon date, Hungary will redeem the notes at 97 1/8, raising the annualized yield to investors by 1/8 per cent.

Subsequent redemptions will be at 97 1/2, 97 5/8, 98 1/4, 98 3/4, 99 3/8 and, at the end of the final six months, par. In other words, the return to the investor increases at each six-month period, an incentive to noteholders not to redeem before maturity. By holding the notes to maturity, an investor would earn roughly 1 1/4 per cent, including the 1/8-per-cent participation fee paid by Hungary.

To assure Hungary of its cash position, the managers of the loan—American Express Middle East Development Co., Arab & Morgan Grenfell Finance Co., Banque Arabe et Internationale d'Investissement, Kuwait International Investment Co. and Sté Financière de Beirouth—guarantee that half of the loan will remain outstanding until final maturity. The managers will make a market in this paper. In addition to their 1/2-per-cent management fee, the managers are also collecting an additional fee for assuring the nonredemption of half the issue.

The loan is a fraction of the size of the syndicated bank loans the National Bank has arranged in the Euromarket, but it is also cheaper.

Idle Pools Tapped

The bank loans cost Hungary 1 3/8 per cent each year for five years; here it is paying 1 1/4 overall for four years.

The new loan is being offered to Arab institutions, aiming to tap idle short-term pools of funds that would otherwise not be drawn into the normal medium-term lending market.

Two other loans drawn up along these lines are said to be near. The name of the next borrower has not been revealed, but the third borrower will reportedly be for Poland, presumably its Bank Handlowy.

International Issues
(7-15 years)
April 7: 8.55 %; March 31: 8.56 %.

Industrials
(5-7 years)
April 7: 7.13 %; March 31: 7.49 %.

Industrials
(7-15 years)
April 7: 8.69 %; March 31: 8.70 %.

Market Turnover

	April 9	April 2
Cedel	$529.3 mil.	$782.3 mil.
Euroclear	$791.9 mil.	$848.6 mil.

U.K. Jury Acquits Liberals' Hain

LONDON, April 11 (AP).—Peter Hain, 26, a former leader of the Liberal party's youth organization, has been acquitted of a charge that he stole £490 pounds ($901) from a South London bank last October.

Mr. Hain, who gained national prominence with campaigns against South Africa's racial segregation policy of apartheid, claimed as he left London's Old Bailey Criminal Court Friday that the Pretoria regime used an agent who looked like him to commit the theft in an attempt to discredit him.

Mr. Hain's supporters cheered the verdict delivered by a jury of seven women and five men at the end of a 10-day trial.

Finns End Sea Strike

HELSINKI, April 11 (AP).—Finnish seamen ended a two-week strike last night after reaching a settlement on better compensation for Sunday and night work.

International Bonds

(A weekly list of non-dollar denominated issues.)

Units of Account

DM Basis

…2-88	105½	107
…4-86	98	99½
…-86	92	93½
…rb. 8-86	106½	108
…-86	106	108
…1. 8-86	107½	109
…8-86	106	108
…(rl.) 8 1/4-86	101	103
…1/4-86	95	97
… 7-89	102	—
…-86	105½	107
…3/4-86	104½	106
…1/4-88	101	102½
…-86	105½	107
… 8 3/4-82	98	100
…7-84	100	101½
…/2-85	100½	101½
… 9-89	100	101
… 9 1/4-85	100	101
…¾-85	99¾	100¾
… 9 1/2-86	100	101
…1/4-84	99¼	100¼
… 3/4-83	100½	101½
… 10-88	103	104
… 8 1/2-88	94	95
… 9 1/4-83	99¾	100¾
… 9 3/4-89	101	102
… Bk. F. 9 1/2-83	101½	102½
… 9 1/4-83	99¼	100¼
… 9 3/4-84	102	103
…a 9 1/4-85	100½	101½
…7/8-92	96¼	97¼
…1/4-85	99½	100½
…r 8 3/4-89	95	96
… 9 1/2-87	100½	101½
… 9 1/4-85	100½	101½
… Ind. 8-88	92	93
…state 9 1/4-85	100¾	101¾

DM Bonds
(Average Prices)

… 7-87	98½
… 9-82	108.35
… 8½-87	103½
…nm. Ext. 8¼-83	103½
… Bergen 8¾-85	108
… Gas 6½-84	94.85
…-85	100
…t. Autor. 9½-82	106¾
…t. Telec. 8¾-82	105
…gen 7¾-86	99¾
…ids 7¾-85	97.30
…ids 6½-87	85.60
…c 8¾-82	103¼
…Benz Fin. 8-85	105¾
…-86	99½
…86	103½
…-85	103½
…a 8-83	101¾
…at 7-88	90.20
… 7-87	89¾
…ks 8¼-83	101¼
…t. Fin 6½-82	84
…t. Fin. 8½-83	102.20
…p. Finn 8-84	103¾
… Dev Bk 8½-85	103½
…sburg 6-88	81
… Fin. Hold 6¾-87	91¾
… Int. 8½-85	104
… union 6½-88	91½
… union 8-82	102½
…ndland 6½-88	85¾
…sland 7-87	86¼
… Hydro 9-87	106¼
… 8¼-80	104½

Oester. Donaukw. 6¾-88	91¼	
Oester. Donaukw. 8¼-85	104½	
Ontario Hydro 8½-87	103	
Philip Morris 8¾-87	93¾	
Philips 8¾-82	97¾	
Post-Och Kred.Bk 8½-85	106.10	
Prov. Quebec 6½-87	101.95	
Sth Afr. Railw. 9½-80	91½	
Sveriges Inv. Bk. 8¼-83	96.85	
Tenneco 7¾-88	103	
Sanko Steamship 8½-80	100.20	
Unilever 8½-87	105¾	
Voest-Alpine 8½-85	102.35	
Worldbank 6½-87	93¾	
Worldbank 8-82	101.90	
Worldbank 8½-83	101¾	
European Currency Units*		
S. Africa 8-86	69½	71½
CECA 8-85	98½	101
E N E L 7¼-86	82	84
Eurofima 7¾-81	99	100½
Interfrigo 7½-86	91½	93
* For trading in DM.		
French Francs		
Air Liquide 8¼-81	92¾	93¾
BASF 7½-87	78¾	80¾
CNT 7½-87	84½	85½
EIB 7¾-81	89½	90½
Gervais 5-87	72	74
New Zeal. 7½-87	76¼	77¼
Oslo 7½-87	77	78
Petrol BP 7-80	94½	95½
Qu. Prov. 7½-87	76½	77½
Renault 7¼-87	75½	76½
Rhône-Poulenc 7½-87	75½	76½
Roussel 7-79	96	97
Ug. Kuhlmann 8-78	96¼	97¼
World Bank 7¼-87	76¾	77¾
Guilders		
ABN 9½-79	104	105
AMRO 9½-79	104½	105½
Arbed 6¼-80	95½	96½
BP 6-79	96½	97½
Cons. Foods 6½-80	97½	98½
Eurofima 5¾-79	96	97
EIB 9¼-79	103½	104½
Govett 6½-79	97¾	98¾
Holl. Inns 6¼-79	95½	96½
KLM 6-79	96	97
Ned. Gas Un. 9¾-79	105	106
New Zealand 6¼-79	98	99
Philips 6-79	97½	98½
Sperry 6½-79	99	100
St. Brands 6½-79	98	99
Luxembourg Francs		
Asian Bank 6¾-87	76	78
EIB 7-88	83	85
Burmah 7-86	52	54
Cons. Eur. 7-87	78	80
Denmark 6¾-87	75	77
Gr. Met. Hot 6¾-87	57	59
Finland 7-87	77	79
ISE 6½-87	65	67
Oslo 6¾-87	75	77
Reed 6¾-87	57	59
Slater 7½-87	50	52
Kredietlux Indices		
	25-3-76	8-4-76
U A	89.6	89
D.M.	102.4	102.4
ECU	90	89.4
F.F	90.7	89.9
F Lux	85	84.6
(Base=100, 31.12.1970.)		

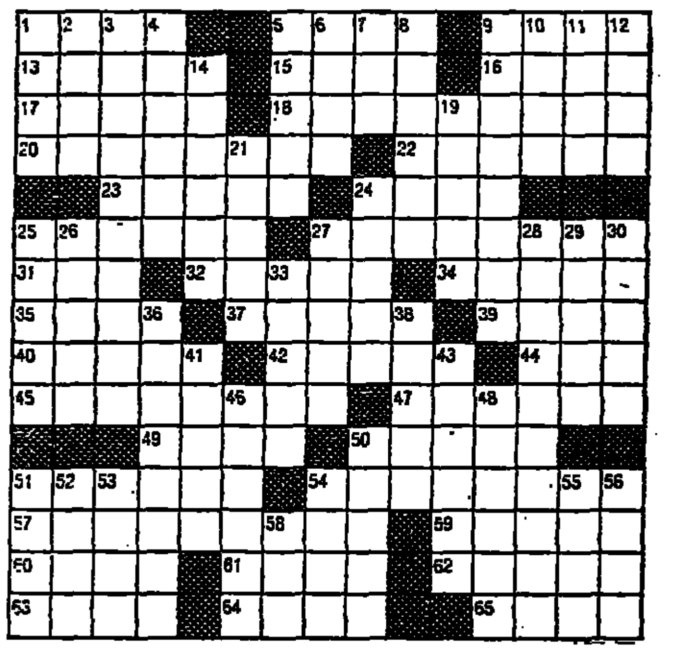
CROSSWORD — *Edited by Will Weng*

ACROSS

1 Gnat, for one
5 Chain's companion
9 Cupid
13 Musical group
15 Solo
16 What Lady Godiva did
17 Melancholy, to poets
18 High-shelf adjunct
20 Conjectures
22 Wine
23 Gangsters' girls
24 High or Seven
25 Blow a flute
27 Loathed
31 Shed
32 Rig
34 Gastronome
35 Anglo-Saxon letters
37 By word of mouth
39 Lucius Ahenobarbus
40 Banjo ridges
42 Brought into harmony
44 Kind of squeak
45 Contour-farm features
47 —— around (loafs)
49 Czarist name
50 Where Rangoon is
51 Spoil
54 Conjectured
57 Resigns
59 Pretext
60 "Pompeii" character
61 Arthurian lady
62 Spoofed
63 Potato
64 Hoover and Roosevelt
65 Dispatched

DOWN

1 Schools of whales
2 Yellowish
3 Snow White's rival
4 Scandalous Dome
5 Touch all ——
6 Crafts
7 Equivocate
8 Slips
9 Kind of well
10 Wasteland
11 Redolence
12 Lean on
14 Folklore people
19 "—— up or ship out"
21 Nap
24 Indian soldier
25 Embezzlement
26 Bizarre
27 Lasts: old style
28 Yields
29 Bizarre
30 Discards
33 —— in (cheated)
36 Did a burlesque routine
38 Tree animal
41 Keeps
43 Of skin
46 Worked with wool
48 Shows warmth
50 Confederations
51 Greek letters
52 Spin like ——
53 Carte
54 Sink's alternative
55 Pacific atoll
56 Force
58 Tierra del Fuego Indian



WEATHER

	C	F	
ALGARVE	15	59	Overcast
AMSTERDAM	14	57	Clear
ANKARA	11	52	Rain
ATHENS	14	57	Rain
BEIRUT	19	66	Cloudy
BELGRADE	9	48	Cloudy
BERLIN	11	52	Cloudy
BRUSSELS	11	52	Clear
BUCHAREST	—	—	Unavail.
BUDAPEST	12	54	Clear
CASABLANCA	17	63	Cloudy
COPENHAGEN	7	45	Fog
COSTA DEL SOL	19	66	Showers
DUBLIN	5	41	Rain
EDINBURGH	10	50	Rain
FLORENCE	13	55	Cloudy
FRANKFURT	13	55	Clear
GENEVA	9	48	Clear
HELSINKI	3	37	Overcast
ISTANBUL	8	46	Rain
LAS PALMAS	20	68	Clear
LISBON	14	57	Overcast
LONDON	12	53	Cloudy
LOS ANGELES	13	55	Cloudy
MADRID	14	57	Clear
MILAN	14	57	Cloudy
MONTREAL	— 6	21	Cloudy
MOSCOW	6	43	Cloudy
MUNICH	7	45	Clear
NEW YORK	14	57	Cloudy
NICE	14	57	Clear
OSLO	8	46	Cloudy
PARIS	15	59	Clear
PRAGUE	12	54	Clear
ROME	16	61	Cloudy
SOFIA	5	41	Rain
STOCKHOLM	12	54	Cloudy
TEHRAN	22	72	Cloudy
TEL AVIV	26	79	Clear
TUNIS	14	57	Clear
VIENNA	10	50	Clear
WARSAW	10	50	Clear
WASHINGTON	15	59	Cloudy
ZURICH	10	50	Clear

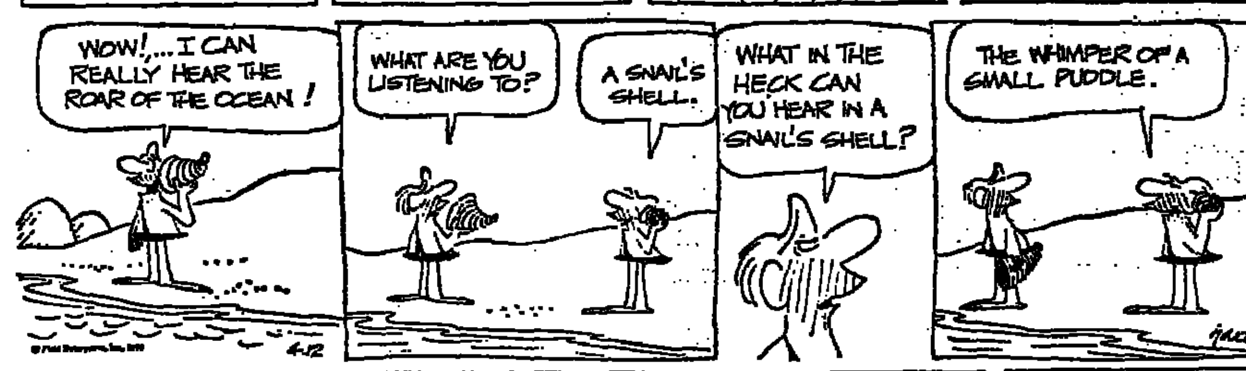
(Yesterday's readings: U.S. Canada at 1700 GMT, others at 1200 GMT.)

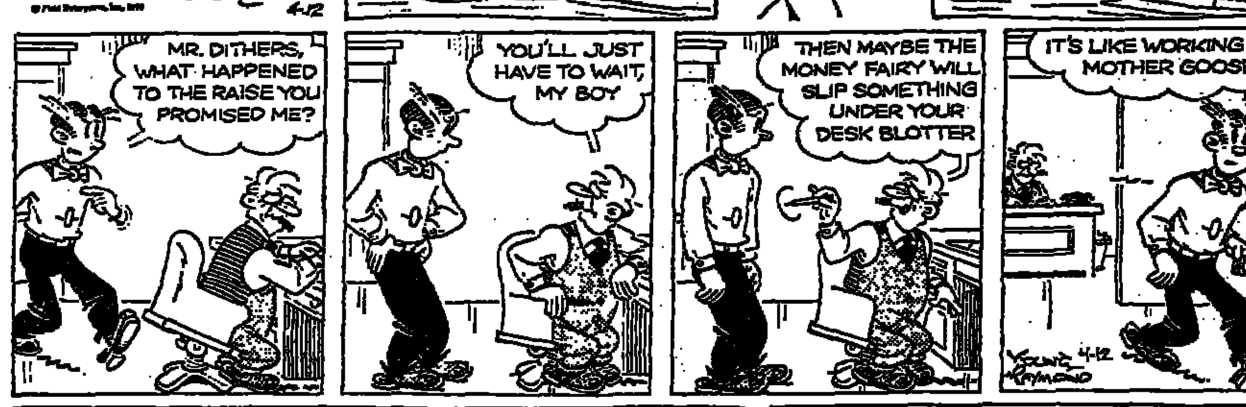
Mutual Funds

Closing Prices April 9, 1976

NEW YORK (AP) —The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (net asset value) or bought (value plus sales charge) Friday.

	Bid	Asked
Dreyfus Grp:		
Drevf	11.2	12.24
Equit	4.86	N.L.
Levge	14.28	15.61
Liqu As	1.2	N.L.
Spl Inc	6.9	N.L.
Third C	11.9	13.1
Eagle Gr	8.43	9.21
Keystone Funds:		
Apollo	4.16	4.56
Cus B1	17.55	18.35
Cus B2	18.57	2.25
Cus B4	7.95	8.71
Cus K1	7.33	8.4
Cus K2	5.4	5.91
Cus S1	19.2	2.84
Grwth	10.39	11.36
Incom	7.60	8.31
Invest	7.78	8.50
Vista	10.16	11.10
Voyag	11.95	13.06
Rainbw	1.61	N.L.
Reserve	1.00	N.L.
Revere	4.79	5.24
Safec Eqt	8.61	9.47
Safec Gth	7.21	7.88
Scudder Funds:		
Intl Fd	13.32	N.L.
Specl	23.01	N.L.





JUMBLE — that scrambled word game

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

DATUC

SYSOM

KONYED

MUJERP

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

A

(Answers tomorrow)

Saturday's Jumbles: ENACT KHAKI BRONCO MEMBER

Answer: *What you end up with when you start gardening at daybreak*—BACK BREAK

DENNIS THE MENACE

"I WOULDA COME WHEN YOU STARTED YELLIN', BUT MR. WILSON WASN'T THROUGH SHOUTIN' AT ME."

BOOKS

A PRINCE OF OUR DISORDER
The Life of T.E. Lawrence

By John E. Mack. Little, Brown. 561 pp. $1[illegible]

Reviewed by Larry McMurty

"A Prince of Our Disorder" is a wonderfully resonant—if inaccurate—title. It is the first thing one admires about this book and also the last. Nowhere in the book does Prof. Mack establish that Lawrence of Arabia was a prince of anyone's disorder except his own; more fatally, nowhere in it does he manage to write interestingly about the highly ordered, intensely uncomfortable man who is his subject.

If one might put it bluntly, this widely heralded biography lacks everything it should have except the facts of T. E. Lawrence's life. Prof. Mack has no skill at narrative, no gift for character portrayal; he lacks wit; he lacks an adequate prose style; he lacks the judgment to see when he is repeating his insights tediously; he lacks imagination and organizing ability; and so far as I can see, he even lacks editors. The only thing he doesn't lack is professorial, or possibly psychiatric, stamina. If he can do nothing else, he can plod on. The enigma of Lawrence is not explained, it is buried under a Sahara of pedestrian commentary.

In my view Erik Erikson must bear some responsibility for psychobiographical muddles of this kind. Erikson has imagination, and he can write; most of his disciples have only education, and most of them can't write. Reading Erikson on Luther is like attending a great ballet of the psyche; reading Prof. Mack on Lawrence is like watching someone plod though a swamp in snowshoes. He wor[illegible] psychological nuance[illegible] rence's character at gr[illegible] and usually inconclusi[illegible] know that Lawrence w[illegible] mate, and that this mu[illegible] some effect on him—wh[illegible] precisely Prof. Mack [illegible] us, though he gnaws a[illegible] great while, aware tha[illegible] be a particularly succul[illegible]

His efforts at making [illegible] of Lawrence's sexualit[illegible] be comic if they w[illegible] painful—how much [illegible] make of the sexuality [illegible] so totally repressed tha[illegible] his whole life without [illegible] anything that could be [illegible] sexual advance? One [illegible] course say that he was [illegible] torturously repressed, [illegible] Prof. Mack does, in 28 [illegible]

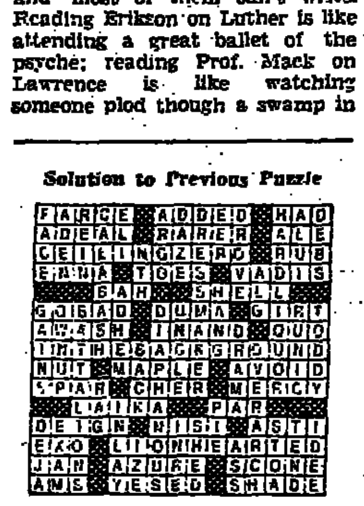
In fairness to Pro[illegible] Lawrence makes a di[illegible] not an impossible su[illegible] biography. If only becau[illegible] himself one of the great [illegible] raphers. He could writ[illegible] deal better than anyone [illegible] yet written about him, [illegible] or not, fair or not, goo[illegible] compels and bad writin[illegible] Half of what Lawrenc[illegible] say about himself [illegible] Pillars of Wisdom" ma[illegible] but unfortunately for M[illegible] the lies of great writer[illegible] effect of great truth[illegible] which the little truths o[illegible] phy simply do not [illegible] great lie will beat a [illegible] truth any time, a fa[illegible] kept old Montaigne cha[illegible] his tower for many a ye[illegible]

T. E. Lawrence man[illegible] extract from the pain o[illegible] a couple of years of [illegible] legend which he despi[illegible] a great book, which he [illegible] have despised but ca[illegible] render the less great [illegible] books written since at [illegible] man and the legend—o[illegible] the present volume is [illegible] the most earnest—are [illegible] wasted work. They all [illegible] long shadow of "Seven [illegible] and there they will ab[illegible] main.

Larry McMurty is a [illegible] and book reviewer.

© The Washington Pos[illegible]

Solution to Previous Puzzle



CHESS — *By Robert [illegible]*

In the Philippines's 35-25 victory over China, the 10-man Chinese team lost each of the six-round matches by an average of 1 2/3 points. Moreover, the Chinese fought Round 4, played in Shanghai, to a 5-5 standoff.

The result is quite remarkable considering that China had never contested an international match, while the Philippines has enjoyed almost unchallenged supremacy in Asia.

Although China had become a full-fledged member of F.I.D.E., the World Chess Federation, more than a year ago (it had paid dues five years ago but never attended conferences), nobody expected its players to make so much progress so quickly.

The match games reveal that the Chinese, believed to be isolated from contemporary trends in opening theory, have in fact had access to the latest material. However, what remains an enigma is how the Chinese achieved their present level of competence in the middle game if, as seems likely, they did not rely on imported coaching.

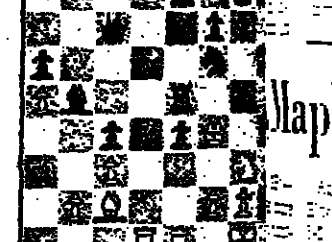
The new Chinese champion, Chih Ching-hsuang, lost only one game, to the Filippino grandmaster Eugenio Torre, and it took all of Torre's delicate postional play to reel in the point.

The Ruy Lopez variation 9 . . . P-KR3 (so that 10 . . . R-K1 cannot be upset by 11 N-N5) was developed by Vasily Smyslov, but Chih adeption of it here surely indicates that he was aware of its current return to popularity. Bringing the black QN into useful play with 14 . . . N-B5 and breaking in the center with 15 . . . P-Q4 has been recognized as the preferred equalizing method for Black.

A Modern Equalizer

Torre could not have gained a pawn by 17 NxKP?, KNxN; 18 BxN, BxB; 19 RxB, since

CHIH/BLACK



TORRE/WHITE

Position after 37 Q-[illegible]

19 . . . RxN would wi[illegible] piece. His 17 NxN, on [illegible] other hand, stamped the [illegible] most black QB pawn a[illegible] slight weakness after 17 [illegible] PxN, although given Bla[illegible] superior control of s[illegible] taking advantage of that [illegible] came a monumental task[illegible]

Chih might possibly [illegible] considered the aggressive [illegible] 35 . . . N-Q4; 36 Q-Q4, [illegible] (not 36 . . . P-K6 becaus[illegible] 37 N-B5 and White wins [illegible] terial); 37 QR-Q1, R-Q1—[illegible] wisely rejected it becaus[illegible] 38 P-B3!

Gaining the Edge

Carefully sidestepp[illegible] counterattack, Torre set [illegible] the annoying pin 37 Q-[illegible] threatening to capture [illegible] KP. Chih should perhaps ha[illegible] tried to maintain compli[illegible] tions by 37 . . . Q-B3, for [illegible] result of the simplificati[illegible] from 37 . . . QxP to 4[illegible] put the White pieces in exc[illegible] lent positions, while Blac[illegible] pieces continued to be bu[illegible] dened by defending the [illegible] pawn.

Chih might have tried [illegible] . . . Q-N3; 41 B-Q5, Q-K[illegible] 42 QxQ, PxQ; 43 K-B1, [illegible] it is very doubtful whet[illegible] Back can hold that endi[illegible] After Torre's 41 R-Q6!, t[illegible] horrible consequence of [illegible] . . . Q-R8ch; 42 K-R2, Q[illegible] would have been 43 B-Q[illegible] R-KB1; 44 BxPch!, K-R1; [illegible] RxPch!, with mate to follow[illegible]

Chih's 41 . . . R-K3 le[illegible] quickly to the loss of the [illegible] and, against Torre's smoo[illegible] technique, he eventually ha[illegible] to resign.

RUY LOPEZ

White Torre	Black Chih	White Torre	Black Chih	White Torre	Black Chih
1 P-K4	P-K4	22 R-Q1	QR-B1	43 B-N6	Q-Q6ch
2 N-KB3	N-QB3	23 R-R4	B-B3	44 K-R2	Q-Q1
3 B-N5	P-QR3	24 R-R1	PxP	45 Q-B7ch	K-R1
4 B-R4	N-B3	25 RxP	B-B4	46 QxP	Q-N3ch
5 O-O	B-K2	26 R-Q1	B-N4	47 K-N1	Q-Q1
6 R-K1	P-QN4	27 B-R4	KR-Q1	48 B-B5	Q-KB1
7 B-N3	P-Q3	28 R-K1	Q-Q2	49 Q-B8	QxQ
8 P-B3	O-O	29 B-B2	R-K1	50 BxQ	P-N4
9 P-KR3	P-KR3	30 B-N1	Q-K3	51 P-KN3	K-N3
10 P-Q4	R-K1	31 N-B1	R-B2	52 P-B4	K-B3
11 QN-Q2	B-B1	32 B-K3	BxB	53 K-B2	PxP
12 N-B1	B-N2	33 QxB	R/2-K2	54 PxP	P-KR4
13 N-N3	N-QR4	34 N-N3	Q-Q2	55 P-R4	P-R4
14 B-B2	N-B5	35 B-B2	R-K4	56 K-K3	B-K1
15 P-QR4	P-Q4	36 QR-Q1	Q-R2	57 K-Q4	B-B2
16 NxP	PxKP	37 Q-B4	QxP	58 B-R3	B-N1
17 NxN	PxN	38 NxP	NxN	59 B-B1	K-B4
18 Q-K2	R-Q4	39 RxN	PxR	60 RxP	RxB
19 N-B5	Q-Q2	40 RxP	Q-B5	61 KxR	K-N5
20 N-K3	Q-K3	41 R-Q6	R-K3	62 P-B5	Resigns
21 P-R5	P-B4	42 RxR	PxR		

هكذا من الأهل

By 8 Strokes

...oyd Wins Masters Golf

...Wire Dispatches

...TA, Ga., April 11.—...d—never pressured, ...d—took a casual little ...gh the Georgia piny sunny Sunday, paused ...e golf ball 70 times ...l home with perhaps ...Masters victory of all

... 33-year-old onetime ...oed solid, sober family ... this 40th renewal of ...al spring rite with a ... 17 under par and ...he tournament record ... set by Jack Nicklaus

...ing margin of eight ... one short of the rec... couldn't have been

...ndsome young Ben ... who gave a flock of ...s a little thrill when ...is britches above his ...ade into the pond on ...le—could generate any ...t all and that was ...little, much too late. ... would-be contenders, including the mighty Nicklaus, simply couldn't get anything going in the gusty, shifting winds that swirled through the tops of the towering trees that crown the rolling hills of the Augusta National Golf Club course.

Floyd shot a 70 in yesterday's third round for a record 201, 15 under par, and opened an 8-stroke lead over Jack Nicklaus, 73-209. Larry Ziegler was alone in third at 210.

The 1971 champion, Charles Coody, followed at 211; Ben Crenshaw and Tom Kite were at 212; Lou Graham at 213; Tom Weiskopf at 214, and Hale Irwin and Hubert Green at 215.

Floyd's 201 is the lowest ever for three rounds, taking a stroke off the 1965 mark of Nicklaus. The eight-stroke lead also is the biggest margin ever held going into the final round.

"I just had one of those days," Nicklaus said. "I could never get started and the round was not what I wanted. I'm eight shots back, but it's good to know there's nobody between Floyd and myself. It's tougher when you have to catch a bunch of guys.

"Raymond never had any pressure today. Who knows what will happen? If Raymond keeps playing the way he has, nobody is going to catch him. But if I make a few birdies and Raymond slips, it will be a different story."

There were only 10 rounds under par. Hale Irwin, 1974 Open champion, carded the best round of the day, 67. Lee Trevino was the only other 70-breaker, with 69.

"That's the whole story," Floyd said. "I kept watching that leader board—there's one on every hole—and I knew none of the other contenders were pressuring me. When anybody has the lead I've had, he can afford to gamble. The only time I played safe I made bogeys. So I decided to shoot for the pin."

Floyd said the key to his round was the par-5 13th. Floyd has played the dozen par 5s in 13 under par, 11 birdies and an eagle.

"I'm aware of that," he said, "and the par 5s are responsible for my big lead. I was thinking how lucky I've been on the long holes, so when I drove the ball right on the 13th, a dogleg left, I was near a tree. I decided to go for the green. I didn't feel I could make a birdie laying up, so I hit my 5-wood, figuring I could carry the 219 yards over water.

Fell Into Place

"I hit into the bunker, but when you're going good everything falls into place. I blasted out three feet from the pin and made it for a birdie.

"That hole was the round and helped me recover from a double bogey."

The double bogey occurred on the par-4 11th when Floyd hooked a 4-iron into the water. He took a drop, pitched 15 feet from the pin, and missed for a 6.

He had three birdies on the front but bogeys at the fifth and sixth.

"The bogeys didn't bother me," Floyd said, "because I was still hitting the ball well." Floyd parred the 10th.

"I've done well shooting at flags instead of trying to hit the middle of the green. The pin placements have been difficult. The greens are hard to read and generally a player is left with putts of 40 to 50 feet. But I think I'll hang on."

THIRD ROUND SCORING LEADERS

Ray Floyd	65-66-70—201
Jack Nicklaus	67-69-73—209
Larry Ziegler	67-71-72—210
Charles Coody	72-69-70—211
Tom Kite	73-67-72—212
Ben Crenshaw	70-70-72—212
Lou Graham	68-73-72—213
Tom Weiskopf	73-71-70—214
Hale Irwin	71-77-67—215
Hubert Green	71-66-78—215

...n Overpowers Drysdale ...nal of WCT Tournament

...ESBURG, April 11 ...w Zealander Onny ...eated South African ...ale yesterday to win ... the World Championship Tournament, 7-6, 6-3. ...eded Parun's share of ...was $17,000, his biggest

... set out strongly, tak...ad in the first set and ...rve once. But the New ...at first uncomfortable ...weather court in over...er, rallied and leveled

...et play frequently let ... His first-serve momen...im invariably up to the ... often failed to return ...two-fisted backhanders. ...dale's second serve be...ng and Parun had no ...pounding them back ...t. The two men played ... to 6-6 and the tie...as called.

...sion of straight volleys ...o finalists during the ...had the crowd cheer...n kept his head and ...points to 7-4 to claim ...-6.

... second set, the New ...had it mostly his own ...owering Drysdale, who ...y sparks. Parun revers...st set scoring to reach ...1, also breaking serve

... rallied briefly in the ...ake it 2-4, playing on Parun's still occasionally erratic net performance.

The New Zealander smashed to victory in the ninth, ending the contest with amazing volley-to-volley returns that lasted more than a half-dozen shots, with the players only about seven yards apart. Parun tossed the ball right out of the stadium.

Hunt Triumphs In Formula-1

SILVERSTONE, England, April 11 (UPI).—James Hunt led from start to finish today, notching his second Formula-One victory of the year in the International Trophy Race in a McLaren.

The victory does not count toward the world championship.

Hunt took off from the pole position and led Vittorio Brambilla of Italy in a March for all 40 laps, totaling 117.20 miles.

Brambilla was Hunt's only major rival and, although the Italian closed to within half a second of the McLaren just before half distance, Hunt drew away steadily to win by more than 10 seconds.

AFTER THE BALL—Brewers' Pedro Garcia has ball in his glove, but Yankees' Roy White avoids tag and steals second base during Saturday game. New York won, 9-7.

Associated Press.

Saturday

Orioles' Holtzman Delivers in Debut

BALTIMORE, April 11 (UPI).—Lee May triggered an eighth-inning rally with a run-scoring single off reliever Jim Willoughby yesterday as the Baltimore Orioles made Ken Holtzman a 5-1 winner over the Boston Red Sox.

Holtzman, who escaped numerous jams, got the victory against Rick Wise, who pitched four-hit ball for seven innings before Boston manager Darrell Johnson brought on Tom House to begin the eighth inning.

Reliever Dyar Miller, who got a save Friday for Jim Palmer, retired the Red Sox in the ninth inning.

Pinch-hitter Tommy Harper led off the Orioles' eighth with a checked-swing single into rightfield and, after moving to second on House's wild pitch, he scored the tying run on Paul Blair's opposite-field double down the rightfield line. After Ken Singleton's single moved Blair to third, Willoughby came on and gave up May's single to leftfield that scored Blair.

Bob Grich reached first on a bunt single and designated-hitter Tony Muser's double off the glove of second baseman Doug Griffin scored Singleton and May. Brooks Robinson singled in Grich.

Tigers 3, Indians 1

At Cleveland, Willie Horton smashed a two-run homer and veteran Joe Coleman pitched six shutout innings to lead Detroit to a 3-1 victory over the Indians.

Horton, the Tigers' veteran designated hitter, slammed a 350-foot shot into the leftfield seats after Dan Meyer doubled with one out in the second inning.

Yankees 9, Brewers 7

At Milwaukee, the Yankees scored five runs in the ninth inning, highlighted by Chris Chambliss's two-run double and Lou Piniella's triple off the leftfield wall to give New York a 9-7 victory over the Brewers as Don Money's ninth-inning grandslam was disallowed.

Money's bases-loaded homer off Yankee reliever Dave Pagan was nullified when first-base umpire Jim McKean ruled that time had been called before the pitch was made.

Rangers 4, Twins 1

At Arlington, Len Randle's two-run homer and Jim Umbarger's six-hit pitching gave Texas a 4-1 victory over Minnesota.

Randle broke up a 1-1 tie in the fourth with his two-out home run after Tom Grieve had singled to open the inning. Randle singled to drive in Roy Smalley from second with another Rangers' run in the seventh. Umbarger, making only his second major league season, allowed only an unearned run in the fifth and struck out five.

A's 6, Angels 2

At Anaheim, Phil Garner hit a double and a triple, drove in two runs and scored another to power Oakland to a 6-2 victory over California.

Garner broke open a pitching duel by doubling home two runs in the fifth inning for the only hit Angel ace Nolan Ryan yielded in his seven-inning stint. Then the A's second baseman, the ninth man in the batting order, ignited a three-run rally in the eighth inning with a triple off rookie Paul Hartcell's first major league pitch.

Braves 3, Padres 0

At San Diego, Rowland Office hit a disputed three-run homer off Dan Spillner that landed on top of the rightfield wall to give Atlanta a 3-0 victory over the Padres.

Umpire John McSherry first ruled it a triple and then reversed his decision and called it a home run after the Braves had disputed the original ruling. The home run came with Darrell Chaney and Phil Niekro on base. Chaney had walked and Niekro reached base on a fielder's choice.

Cubs 4, Cardinals 3

At St. Louis, right-hander Bill Bonham shut off the Cardinals' offense on four hits and Jerry Morales drove in two runs in the winning rally as Chicago squeezed past St. Louis, 4-3.

Bonham picked up the victory although he walked four before giving way to Darold Knowles in the eighth inning.

The Cubs reached St. Louis starter Bob Forsch for two runs in the first. Rick Monday doubled and was safe at third when third baseman Hector Cruz dropped Don Kessinger's low throw on an attempted forceout on a grounder by Jose Cardenal. Cardenal went to second base as Cruz argued the call.

Bill Madlock, the National League batting champion last season, drilled a base hit to left, scoring Monday and sending Cardenal to third. Cardenal scored when Morales hit into a double play.

Reds 13, Astros 7

At Cincinnati, Johnny Bench and Joe Morgan hit home runs and the Reds stole five bases en route to a 13-7 victory over Houston.

The homers were two of 15 hits for the Reds, who made it two in a row over the Astros as Jack Billingham, who pitched six innings, picked up his first victory.

Mets 1, Expos 0

At New York, Felix Millan's fourth-inning double scored Bud Harrelson with the game's only run and Jon Matlack hurled a four-hitter to give the Mets a 1-0 victory over Montreal.

Matlack was locked in a pitching duel with southpaw Woodie Fryman. Fryman had hurled hitless ball through the first three innings when Harrelson hit a blooper which rightfielder Ellis Valentine could not catch and the ball bounced by him for a triple. Millan then stroked a long fly ball over leftfielder Gary Carter's head, scoring Harrelson and pinning the loss on Fryman.

Pirates 5, Phillies 4

At Philadelphia, a three-base error by rightfielder Ollie Brown, followed by Mario Mendoza's single, produced an unearned 11th-inning run that gave Pittsburgh a 5-4 victory over the Phillies.

Braves Sign Messersmith

SAN DIEGO, April 11 (UPI).—Andy Messersmith, the 30-year-old right-handed pitcher who became a free agent in a historic baseball decision four months ago, signed a multi-year contract yesterday with the Atlanta Braves, worth in excess of $1.3 million.

Messersmith and left-handed pitcher Dave McNally both became free agents when arbitrator Peter Seitz ruled that baseball's reserve clause was illegal in December. McNally, who started last season with Montreal, retired last summer. But Messersmith, a 19-game winner for the Los Angeles Dodgers last season, made himself available to the highest bidder.

Eight teams entered the bidding for him. The New York Yankees believed they had signed an agreement for him to pitch with them two weeks ago, but a hitch developed and negotiations between Messersmith and the Yankees broke down.

Stones Jumps Highest

LONG BEACH, Calif., April 11 (UPI).—World record-holder and Olympic favorite Dwight Stones won the high jump yesterday at 7-2 1/4 for Long Beach State in a Pacific Coast Athletic Association track meet.

Sunday

Pirates' Zisk, Stennett Star in Phillies' Defeat

PHILADELPHIA, April 11 (UPI).—Richie Zisk and Rene Stennett drove in two runs each today to spark the Pittsburgh Pirates to an 8-3 victory over the Philadelphia Phillies.

After starter and loser Steve Carlton retired the first 10 batters, Manny Sanguillen singled sharply to center, Al Oliver walked and Zisk connected for a two-run double.

The Pirates made it 5-0 in the fifth on a single by Frank Taveras, Stennett's triple and Sanguillen's single. Oliver walked and Sanguillen scored on Willie Stargell's single.

The Phillies scored in the fifth when Mike Schmidt hit a two-run homer off winner Bruce Kison, driving in Dave Cash, who had singled. The Phillies added another in the sixth on Garry Maddox's double, which scored Jay Johnstone.

The Pirates upped their lead in the seventh on pitcher Bob Moose's triple and Stennett's sacrifice fly, and added two runs in the eighth on singles by Zisk, Rich Hebner, Moose and an error by Greg Luzinski.

Red Sox 6, Orioles 2

At Baltimore, Denny Doyle's three-run double climaxed a five-run third inning and Fred Lynn hit his first home run of the season as Boston salvaged the final game of a three-game series with the Orioles, 6-2, behind the pitching of veteran Luis Tiant.

Oriole southpaw Mike Cuellar, 0-1, was tagged for all six runs, although Doyle's key double with the bases loaded came off Mike Flanagan, who relieved Cuellar in the third inning.

Tiant, 1-0, pitched seven-hit ball for seven innings before giving way to Reggie Cleveland. Tiant walked three and struck out one and stranded five runners while getting the benefit of two inning-ending double plays.

Designated-hitter Tony Muser's two-run single in the fourth inning averted an Oriole shutout.

Reds 9, Astros 3

At Cincinnati, Pete Rose got four hits and Joe Morgan added two to lead the Reds to a 9-3 victory and a sweep of the three-game series with Houston.

Pat Darcy, who pitched five perfect innings before developing a control lapse, was credited with the victory, but needed relief help from Pat Zachary and Will McNaney.

The Reds scored two runs in the first inning on a single by Rose, a walk to Ken Griffey, a double by Morgan and Tony Perez's infield out and then sent loser Joe Niekro to the showers with a four-run splurge in the fourth inning when they took a 5-0 lead.

Rose's four hits gave him 9 for 16 in the three-game series. Over the same span, Morgan was 7-11.

Zachary retired the last two batters in the sixth after the Reds got Darcy for three runs.

Rose's fourth hit, a double, gave the Reds a seventh run in the seventh and they added two more in the eighth inning.

Padres 8, Braves 2

At San Diego, southpaw Randy Jones hurled a five-hitter and Johnny Grubb got four singles to drive in a pair of runs to spark the Padres to an 8-2 opening game victory over Atlanta.

Cardinals 5, Chicago 0

At St. Louis, right-hander Lynn McGlothen pitched a six-hitter and was backed by a 13-hit attack while hurling the Cardinals to a 5-0 victory over Chicago in their opener.

Ray Burris suffered the loss.

A's 5, Angels 2

At Anaheim, Don Baylor hit a home run in his debut with Oakland and veteran third baseman Sal Bando got a pair of doubles to lead the defending American League West champions to a 5-2 victory over California.

Rangers 2, Twins 1

At Arlington, Toby Harrah's bases-loaded bloop single with two out in the 11th inning drove in the winning run and Gaylord Perry scattered seven hits to give Texas a 2-1 victory over Minnesota in a season opener, which featured President Ford throwing out the first ball.

White Sox 4, Royals 0

At Chicago, Jim Spencer, one of new owner Bill Veeck's off-season acquisitions, supported Wilbur Wood's six-hit pitching with a two-run homer and three runs batted in to lead the White Sox to a 4-0 victory over Kansas City.

Wood, tantalizing the Royals with his knuckleball, walked two and struck out seven in winning the opener for the first time since 1972 and breaking a string of three straight losses for the White Sox in opening day play.

Friday

Mets 3, Expos 2

NEW YORK, April 11 (UPI).—Bud Harrelson's two-run fourth-inning double carried the New York Mets to a 3-2 victory over the Montreal Expos Friday and kept Cy Young Award-winner Tom Seaver undefeated in nine consecutive opening-day assignments.

Seaver, who won 22 games last year, scattered five hits while striking out eight and allowing one run in seven innings. He has started every opening day since his second season and now has five victories and four no-decisions.

Del Unser reached base to open the New York fourth on an error by third baseman Larry Parrish and losing pitcher Steve Rogers followed by walking Jerry Grote before Harrelson hit his opposite-field double.

Giants 4, Dodgers 2

At San Francisco, John Montefusco, with help from Gary Lavelle over the last 1 2/3 innings, pitched the Giants to a 4-2 victory over Los Angeles in the season opener for both clubs.

Major League Standings

NATIONAL LEAGUE

Eastern Division

	W	L	Pct.	GB
New York	2	0	1.000	—
Pittsburgh	1	0	1.000	1/2
St. Louis	1	1	.500	1
Chicago	1	1	.500	1
Philadelphia	0	1	.000	1 1/2
Montreal	0	2	.000	2

Western Division

	W	L	Pct.	GB
Cincinnati	2	0	1.000	—
San Francisco	1	0	1.000	1/2
San Diego	1	1	.500	1
Atlanta	1	1	.500	1
Los Angeles	0	1	.000	1 1/2
Houston	0	2	.000	2

Friday's Results

New York 3, Montreal 2.
San Francisco 4, Los Angeles 2.
St. Louis 5, Chicago 0.
San Diego 8, Atlanta 2.

Saturday's Results

New York 1, Montreal 0.
Pittsburgh 5, Philadelphia 4.
Chicago 4, St. Louis 3.
Cincinnati 13, Houston 7.
Atlanta 3, San Diego 0.

Sunday's Games

Pittsburgh 8, Philadelphia 3.
Montreal at New York.
Cincinnati 9, Houston 3.
Chicago at St. Louis.
Atlanta at San Diego.
Los Angeles at San Francisco.

AMERICAN LEAGUE

Eastern Division

	W	L	Pct.	GB
Baltimore	2	0	1.000	—
Detroit	1	0	1.000	1/2
Milwaukee	1	1	.500	1
New York	1	1	.500	1
Cleveland	0	1	.000	1 1/2
Boston	0	2	.000	2

Western Division

	W	L	Pct.	GB
Texas	2	0	1.000	—
Oakland	2	0	1.000	—
Chicago	1	0	1.000	1/2
Kansas City	0	1	.000	1 1/2
Minnesota	0	2	.000	2
California	0	2	.000	2

Friday's Results

Baltimore 1, Boston 0.
Chicago 4, Kansas City 0.
Texas 2, Minnesota 1.
Oakland 5, California 2.

Saturday's Results

Baltimore 5, Boston 1.
Oakland 6, California 2.
New York 9, Milwaukee 7.
Detroit 3, Cleveland 1.
Texas 4, Minnesota 1.

Sunday's Games

Kansas City at Chicago 2, ppd.
Boston 6, Baltimore 2.
Detroit at Cleveland, ppd.
New York at Milwaukee, ppd.
Minnesota at Texas.
Oakland at California.

Tennessee Team Ties Relay Mark

KNOXVILLE, Tenn., April 11 (UPI).—Tennessee's 880-yard relay team, anchored by Reggie Jones, tied the world record of 1:21.7 in the final day of competition of the Dogwood Relays at University of Tennessee-Knoxville's track yesterday.

Tennessee's mark tied the record set by Texas A & M at Des Moines in 1970.

...abres, Maple Leafs Gain NHL Quarterfinals

...ORK, April 11 (AP).—...owski had done more ...ne had expected, blunt...bres' attack that can ...ugh any defense when ...its sharpest. In three ...ainst Buffalo, the 20-... St. Louis Blues rookie ...1 of the 128 shots which ... him from every area ...k.

...fell one save short Fri... after forcing the vola...s into overtime for the ...me in 24 hours. Don ...40-foot shot deflected ...yer's leg and sneaked ...iowski at 14:27 of the ...sion, sending Buffalo ...tanley Cup quarterfinals ...ng the Blues home for ...er.

...other National Hockey ...playoff decided Friday ...e Toronto Maple Leafs ... quarterfinal berth with ...utout of the Pittsburgh

Against overwhelming odds, the Blues had won the first game, 5-3, with a stunning performance in St. Louis Tuesday night. Thursday, Staniowski faced 57 shots in Buffalo, but forced the Sabres into overtime before Danny Gare struck his weakness—low shots—and evened the best-of-three series.

It was more of the same Friday, the Sabres shooting and Staniowski saving, until Gil Perreault powered in a 35-foot shot for a 1-0 lead with 55 seconds left in the first period.

Still the Blues came back, when veteran Red Berenson stole the puck from Buffalo defenseman Jerry Korab in neutral zone, broke in and scored on Gerry Desjardins at 9:10 of the middle period.

"This series was one of the toughest the Sabres have ever been involved in," Buffalo coach Floyd Smith said. "It was short, but it was tough."

The Sabres will be host in the quarterfinal opener against the New York Islanders. In the other best-of-seven series, the Chicago Black Hawks visit the Canadiens in Montreal, the Los Angeles Kings meet the Bruins in Boston, and the Maple Leafs will face the defending Stanley Cup champion Flyers in Philadelphia.

Jim McKenny, Pat Boutette, Borje Salming and Lanny McDonald scored the goals that backed a 26-save Wayne Thomas shutout and carried Toronto past Pittsburgh, which couldn't score while the Maple Leafs' Dave Williams sat out a five-minute major in the first period.

The Penguins lost more than the game when center Syl Apps suffered torn knee ligaments in the first period. He may need surgery.

...HL Playoffs

Friday's Games

...4, Pittsburgh 0 (McKenney, ...Salming, McDonald). ...wins best-of-3 series, 2-1.
...2, St. Louis 1 (Perreault, ...renson). Buffalo wins best-... 2-1.

...WHA Results

...3 7, Edmonton 3 (Hull, ...Lindh, Ketola, Bergman, ...Sullivan; Russel, Baird 2).
... 3, San Diego 2 (Venerusso, ...Hall; Rivers, Falkenberg).
...gland 5, Cleveland 3 (Back-... Roberts, Potin, Plean, Rogers; ...nnelly, Gruen).

Saturday's Games

...go 4, Phoenix 2 (French, ...Ruson, Lacroix; Boyd 2).
... 3, Quebec 1 (Evans, Chip-...Evans; Cloutier).
...gland 6, Cleveland 1 (Plean ...ell, Webster, Selwood, Rogers;

NBA Results

Friday's Games

... 119, Golden State 103 (Brown ...on 18; C. Johnson 28, Bar-...
... 100, Chicago 88 (Steele 17, ...Lawes 15; Johnson 23, Marin
...leans 99, Houston 88 (Mara-...Bibby, Moore 14; Murphy 18, ...17)
...see 108, Boston 100 (Dand-... Smith 22; Havlicek 22, Nel-...
...lphia 112, Kansas City 108 ...s 38, Carter 34; Hansen 23, ...17)
...-116, Atlanta 108 (Porter 22, ... Drew 29, Hudson 34).

Saturday's Games

...na 99, New York 94 (Chones ...ell 23; Monroe 30 Heywood
...a 121, Seattle 95 (Adams 19, ...; Gilliam 32, Bantom 14).
...n 110, Detroit 99 (Murphy 18, ...ich 17; Trapp 22 Porter 14).
...a 123, Philadelphia 109 (Drew ...ninger 27; Bryant 22, Nor-...

Poland, Soviet Union Win in Hockey Tourney

KATOWICE, Poland, April 11 (UPI).—After a promising start, Poland eventually struggled to a 6-4 victory today over East Germany in its third match in the World Ice Hockey Championships.

In a second game, the Soviet Union defeated Finland, 8-1.

Poland began well, opening the scoring as early as the second minute of the game when Jerzy Potz tucked the puck home. Three minutes later, Potz whipped home the second goal, and Leszek Kokoszka scored a beauty in the 19th in a solo push to the net after out-maneuvering the German defense.

Until the 3-0 lead, the host team appeared to be the sure winner, but from then on the Germans took the initiative.

The visitors accepted Poland's fourth goal in the 22d minute, and three minutes later Joachim Stasche rammed home the opener for his side. Poland scored its fifth goal in the 38th, but the East Germans successfully retaliated a minute later.

The Poles came under pressure in the third period when Reiner Patschinski scored in the 48th minute and Peter Slapke got East Germany's fourth goal in the 56th, kindling hopes of at least a tie score.

But Jabczyk scored the final tally in the 57th minute.

In the second match of the day, the Soviet Union displayed a slowly improving form by beating Finland 8-1 (1-0, 3-1, 4-0).

The Soviet Union is the defending champion, but it began the series badly with a 4-6 first-game loss to the usually weak Poles, and labored to a 4-0 victory over East Germany in its second match.

The Finns opened today's game with speedy drives for the net but missed many scoring opportunities at the mouth of the goal.

As the first period progressed, Soviet goalie Vladislav Tretyak managed to position himself in just the right places to stave off Finnish goal attempts with either his hand or his chest, and the Russians ended the period with a 1-0 lead.

The second period brought a short-lived hope of an equalizer from Finland's Jorma Vehmanen, but again Tretyak threw out the puck and the Russians went on to make it a 2-0 lead in the 23d minute.

Finn Henry Lappea, almost in desperation, tucked the puck home in the 34th minute to give his team its only goal, but from then on it was the Russians' game with a poor Finnish defense letting through four goals in the final period.

Yesterday, the United States fended off an early blitz and overpowered Sweden, 2-0. The Swedish team had been widely regarded as certain to take home silver, bronze or even gold.

But things went bad for the Swedes when U.S. goalie Mike Curran provided a great display of netminding.

Finland defeated West Germany yesterday, 5-2, but missed at least twice as many scoring opportunities.

Frazier to Fight Foreman in N.Y.C.

NEW YORK, April 11 (Reuters).—The 12-round heavyweight fight between former champions Joe Frazier and George Foreman will be held on June 15 at Yankee Stadium here, the promoter announced today.

The bout was officially signed a month ago, but the date and site had not been decided.

It will be a rematch for the boxers, who first met at Kingston, Jamaica, in January, 1973, when Foreman knocked out Frazier in the second round to win the title. In October, 1974, Foreman was dethroned by Muhammad Ali on an eighth-round knockout in Kinshasa, Zaire.

ABA Pacers Tie Playoff Series, 1-1

INDIANAPOLIS, April 11 (UPI).—Billy Knight tossed in 14 of his game-high 28 points in the third period last night to lead the Indiana Pacers to a 109-95 victory over Kentucky and even their American Basketball Association playoff series at one game apiece.

The final of their best-of-three series will be played at Louisville tomorrow night, with the winner advancing to play the league champion Denver Rockets in the semifinals.

The pacers, outscrapping the veteran Kentucky team, also received 37 points in relief from Dave Robisch and Billy Keller, the latter also connecting for two three-point field goals.

Artis Gilmore led Kentucky with 26, but the defending league playoff champions were never a factor after Indiana threw in 10 straight points late in the third period for a 77-72 lead with 12 minutes left to play.

Nets 116, Spurs 101

At Uniondale, N.Y., the Nets, led by Julius Erving's 31 points and Al Skinner's career-high 25, came out charged up against San Antonio Friday night and ripped the Spurs, 116-101, to take the opening game of their best-of-seven playoff series.

ABA Playoffs

Friday's Game

New York 116, San Antonio 101 (Erving 31, Skinner 25; Gervin 30, Paultz, Birdsow 13).

Saturday's Game

Indiana 109, Kentucky 95 (Knight 28, Robisch 19; Gilmore 26, Lucas 16). Best-of-3 series tied, 1-1.

Pele Paces Victory

SEATTLE, April 11 (UPI).—Pele scored twice yesterday as the New York Cosmos defeated the Seattle Sounders, 3-1, in an exhibition match before a crowd of 58,128.

Friday's and Saturday's Line Scores

FRIDAY'S GAMES

NATIONAL LEAGUE

Montreal .... 001 000 000—2 8 2
New York .... 010 200 00x—3 4 1
Rogers (0-1) and Foote; Seaver, Lockwood (8) and Grote. W, Seaver (1-0).

Los Angeles .... 100 000 100—2 6 0
San Francisco .... 100 201 00x—4 5 0
Sutton, Marshall (7) and Yeager; Montefusco, Lavelle (8) and Rader. W Montefusco (1-0). L Sutton (0-1). Hr.Baker (1st), Murcer (1st) Mathews (1st).

Chicago .... 000 000 000—0 6 1
St. Louis .... 000 020 30x—5 13 2
Burris, Schultz (7), P. Reuschel (7) and Swisher; McGlothen (1-0) and Simmons. L Burris (0-1).

Atlanta .... 000 000 200—2 5 4
San Diego .... 100 340 01x—8 11 1
Morton, Devine (5), Moret (6), Dal Canton (8) and Pocoroba. Williams; Jones and B. Davis. W. Jones (1-0). L. Morton (0-1).

AMERICAN LEAGUE

Boston .... 000 000 000—0 6 3
Baltimore .... 000 100 00x—1 3 1
Jenkins (0-1) and Fisk; Palmer, Miller (9) and Hendricks. W Palmer (1-0)

Minnesota .... 000 001 000 00—1 7 0
Texas .... 010 000 000 01—2 9 3
Blyleven, Campbell (10) and Wynegar; Perry (1-0) and Sundberg. L Campbell (0-1). Hr. Burroughs (1st).

Oakland .... 100 210 010—5 9 2
California .... 101 000 000—2 5 0
Torrez, Todd (6), Fingers (9) and Tenace; Tanana, Monge (7), Drago (8) and Herrmann. W. Torrez (1-0) L Tanana (0-1). Hr. Baylor (1st).

Kansas City .... 000 000 000—0 6 4
Chicago .... 001 120 00x—4 10 0
Splittorff, Bird (5), McClure (8), Pattin (8) and Healy; Wood (1-0) and Varney L Splittorff (0-1). Hr. Spencer (1st).

SATURDAY'S GAMES

AMERICAN LEAGUE

Detroit .... 102 000 000—3 7 0
Cleveland .... 000 000 100—1 6 1
Coleman, Hiller (7) and May; Eckersley, Kern (3), Buskey (8), Laroche (8) and Ashby. W Coleman (1-0). L Eckersley (0-1). Hr. Horton (1st).

Boston .... 000 000 100—1 8 1
Baltimore .... 000 000 05x—5 10 2
Wise, House (8), Willoughby (8) and Fisk; Holtzman, Miller (9) and Duncan W Holtzman (1-0). L House (0-1)

New York .... 000 000 405—9 13 3
Milwaukee .... 000 123 001—7 15 0
Figueroa, Martinez (6), Tidrow (6), Lyle (8), Pagan (9), Brett (9) and Dempsey; Travers, Rodriguez (6), Augustine (7), Murphy (9), Champion (9) and Porter W. Lyle (1-0). L Murphy (0-1) Hr. Munson (1st)

Oakland .... 000 020 031—6 7 1
California .... 000 000 020—2 6 2
Blue, Lindblad (6), Fingers (8) and Tenace; Ryan, Hartzell (8), Brewer (8) and Etchebarren. W. Blue (1-0). L. Ryan (0-1).

Minnesota .... 001 000 000—1 6 0
Texas .... 010 201 00x—4 7 3
Decker, Pazik (5), Luebber (6) and Wynegar; Umbarger (1-0), and Sundberg L. Decker (0-1). Hr. Randle (1st)

NATIONAL LEAGUE

Montreal .... 000 000 000—0 4 1
New York .... 000 100 00x—1 3 0
Fryman, Murray (6) and Foote; Matlack (1-0) and Grote L Fryman (0-1).

Chicago .... 200 000 200—4 9 1
St. Louis .... 000 020 001—3 6 1
Bonham, Knowles (8) and Swisher; Forsch, Rasmussen (6), Proly (7), Curtis (8) and Simmons W. Bonham (1-0). L Rasmussen (0-1)

Houston .... 100 102 300— 7 13 0
Cincinnati .... 530 000 41x—13 15 0
Dierker, Rondon (1), Griffin (4), Hardy (6), Barlow (7), Forsch (8) and Johnson; Billingham, Alcala (7), Eastwick (7) and Bench. W Billingham (1-0) L Dierker (0-1) Hr Bench (1st), Morgan (1st), Roberts (1st).

Pittsburgh .... 100 011 001 01—5 12 1
Philadelphia .... 010 000 030 00—4 9 2
Medich, Giusti (8), Hernandez (8), Demery (9) and Sanguillen Kison, Christenson (8), McGraw (9) and Oates, Boone (8) W Demery (1-0) L. McGraw (0-1)

Atlanta .... 000 000 300—3 4 0
San Diego .... 000 000 000—0 6 2
Niekro, Torrealba (6) and Pocoroba; Spillner, Metzger and B. Davis, Kendall (9) W. Niekro (1-0). L. Spillner (0-1) Hr Office (1st)

Observer

Look Beyond the Nose

By Russell Baker

NEW YORK—My friend Murray says it will be Ted Kennedy. What is impressive about this prediction is that Murray lives in Queens, which is that part of New York City inhabited by people whom people in Washington and Manhattan think of as "the people."

I put quotation marks around "the people" to indicate they are different from Washingtonians and Manhattanites, who tend to the uneasy suspicion that while they themselves may be decent enough human beings, they are deficient in certain qualities which distinguish "the people" in such places as Dayton, Kansas City, Charlotte and Queens. Washingtonians and Manhattanites tend to fear that they are some kind of élite—which is terrible in a democracy—or that they are different from most people, which is even worse.

Baker

For this reason I listen to Murray with great respect when he says it will be Ted Kennedy. He lives over there in Queens among the real people who do the electing, and what do you know if your life has been circumscribed by Washington and Manhattan?

It is Manhattan that Americans across the Hudson are talking about when they tell you about the loathsomeness and despicability of New York, not Queens. To hate Queens is to hate America. Queens is East Baltimore, South Philadelphia, Chicago beyond the Loop. It is New York's middle-class, blue-collar, beer-drinking secret, the place where City Hall forgets to scrape the streets when it snows, just like every other place where the real people live.

In matters on which such people will have the final say, one consults the wisdom of Queens in something like awe. This amuses Murray. What does he know about politics? He makes election bets with politically astute Manhattanites and usually wins, not because he knows anything, but only because he seems to have majority reflexes.

* * *

Like the majority in New York, he didn't vote in Tuesday's primary. Why not? He shrugs. My sensitive Washington-Manhattan political-analysis antennae quiver and point me to a powerfully significant conclusion.

"Can it be that the people—the real people of America—are so indifferent to Carter, Jackson and Udall that all three are wasting their time?"

Murray shrugs. This leaping at powerfully significant conclusions is a Washington-Manhattan habit which makes his eyes glaze over, but I am not defeated. I continue to probe for the secret knowledge he carries.

Thus, I leap to the powerfully significant conclusion which I have been reading in all the newspapers and watching on all the television shows.

"It's going to be Humphrey, isn't it? Since neither Carter, nor Jackson, nor Udall can open up a lead, and since all the small-bore favorite sons are going to split the convention 12 ways, the Democrats will turn to Hubert, won't they?"

"It's going to be Ted Kennedy," he says.

I am stunned. Nobody astute has mentioned Ted Kennedy in months.

"Everything is falling into place for him," Murray explains patiently.

* * *

Yes. Yes. The scales are falling from my eyes. I am suddenly seeing the light, but outwardly I remain cool.

The way Murray sees it, Kennedy has been in the race all along. Maybe he has even planned it this way. By disappearing during the confusion of the primaries, he has stayed safe from the political knives. Confusion has compounded itself. The primaries show vast indifference to an assortment of candidates. Humphrey begins to run noisily by not running. This draws attention to Humphrey. People begin remembering what they don't like about him, and when the convention meets the party is in such a mess that it can only be saved by Ted Kennedy's reluctant agreement to come out of the shadows and accept the nomination. It was planned that way all along.

That night on the television I watch Humphrey speechifying in Pittsburgh. It reminds me of some things about Humphrey I had forgotten.

Remember, you heard it from Queens first.

The municipal election is more than a year away, but Frank Rose's chances of winning appear slim indeed. The cleaning liquid which he promoted in the United States is unknown in Israel.

Mr. Clean Running For Israeli Office

By William J. Drummond

BEERSHEBA, Israel.—Sporting a glistening bald pate and a gold earring, Frank Rose, 49, is campaigning for mayor of this city of 93,400 in southern Israel with the slogan: "Sweep Beersheba clean."

Rose, a recent immigrant from Texas, hates stubborn stains and built-up grime. He says he developed the fetish more than 10 years ago when he worked in the U.S. advertising campaign to promote Mr. Clean, a Procter & Gamble Co. cleaning agent.

Rose—a 6-foot-3, 225-pound former wrestler—still looks like the muscular genie on the Mr. Clean bottle.

He says that he was the model from which artists developed the cartoon character on the label. In addition, he said, he made personal appearances in supermarkets to promote the cleaning liquid. (Another actor portrayed Mr. Clean in a short period when the ad campaign dropped the cartoon character.)

Whiteness and brightness underlie Rose's approach today to city problems, from garbage collection to fighting delinquency.

"There is absolutely no need for Beersheba to be as dirty as it is," Rose said. "The city has 50 garbage trucks, yet you have garbage cans overflowing in the streets."

Rose's formula for attacking Israel's ills is to import U.S. values. "What I'd like to do is to give them the better part of American culture," he said.

His emphasis on hygiene is extreme, but basically Rose's approach is much the same as that of many other American Jews who have come to settle in Israel.

The American-born Israelis, who number 41,458 according to last year's census figures, share one thing in common: They would like to reshape the Levantine way of life.

For example, Rose's anti-delinquency plan is to form a 76-member majorette corps to represent Israel in the Tournament of Roses in Pasadena.

"I can see 76 girls marching down the streets," he mused, "bugles, drums, the majorettes in white boots, blue shirts emblazoned with a white Star of David on the back and white cowboy hats."

Trying to cleanse Beersheba, however, is like Wyatt Earp trying to tame Dodge City.

Beersheba is a window on what is known locally as "the second Israel"—the seedy, problem-ridden, culturally desolate development towns that extend along the pre-1967 border areas from the Negev in the south to the Jordan Valley and Galilee in the north.

Whether it is Beersheba, Beit Shean or Kiryat Shmona, the background is roughly the same. Sephardic Jews from underdeveloped countries such as Morocco, Iraq and India were channeled into the frontier towns in the 1950s.

Employment and educational opportunities lagged behind. The tedium and monotony of life in the development towns made the ambitious and educated new immigrants avoid them. After 20 years, the result has been stagnation and neglect, an embarrassment to Israel.

Beersheba is a cut above the rest because, as an administrative center and the seat of the Ben-Gurion University of the Negev, it has resources most other development towns lack.

But the cultural, economic and social gap that exists everywhere in Israel between European Ashkenazi Jews and North African Sephardic Jews is readily apparent in Beersheba.

Rose's wife, Claire, born in Poland and a survivor of the European holocaust, said that she was shocked when she heard Sephardic Jews here referred to with contempt as "them."

Rose has been in the country less than four years, admits that his command of Hebrew is poor and is a convert to Judaism. Nevertheless, he has launched himself into Israeli politics.

He is an active and vocal member of the rightist Herut party, a member of the parents' advisory board of his daughter's school and a popular figure in youth work in Beersheba.

The municipal election is more than a year away, but the chances of Rose ousting the ruling Labor party coalition appear slim, indeed.

The cleaning liquid which Rose promoted is unknown to Israelis.

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PEOPLE: *Brigitte Bardot Quits Movies for Seal Zeal*

Actress Brigitte Bardot said in an interview published in Paris that she has decided to abandon her film career to devote herself fulltime to the newly established Bardot Foundation, which seeks to protect animals, particularly North Atlantic seals hunted for their fur in Canada and Norway. "I'll continue making records and publicity and writing my memoirs," she told the newspaper Le Figaro. "I always found film-making profoundly boring." The 41-year-old star said she had received contributions from many parts of Europe and North America since she revealed her foundation this month. She said she would be glad to see Canadian Prime Minister Pierre Elliott Trudeau to plead for a ban on the hunting of baby seals in Canada. "If he will give me an appointment, I will go to see him," she said. She claimed there was no substantial demand for the fur of baby seals in Canada or in Europe. "The market is only prosperous in the United States," she declared.

* * *

Abbie Hoffman, the Yippie who jumped bail two years ago and fled drug charges, has partly unveiled the plastic-surgery remodeled face he says he is using in his underground life. Hoffman, 39, posed for photographs for the May issue of Playboy magazine with a bandana covering his face up to his eyes. "Now I have a nice Aryan nose, rosy Anglo cheeks," he said. "In my new life, people don't know I'm Jewish." Playboy said that Hoffman, who was a defendant in the Chicago 7 trial, uses several aliases. Hoffman and three others are charged with selling $36,000 worth of cocaine to a New York State undercover agent in the summer of 1973.

* * *

The wife of missing ex-Teamsters boss James Hoffa is suing to force Teamsters president Frank Fitzsimmons and a bank to pay $461,136 in pension benefits to her husband's estate. The suit says Fitzsimmons told the American Security & Trust Co. to make no payment to the Hoffa family because Hoffa owed money to the pension fund. Hoffa's pension totaled $1.7 million, according to the suit, which says he agreed to leave $461,136 of it on deposit until Jan. 1, 1976. Fitzsimmons did not say why he believed Hoffa owed the money.

* * *

Former Mayor Joseph Alioto of San Francisco has agreed to pay his estranged wife, Angelina, $5,500 a month to supp... the highest tradition... pending final dispositio... assets after 34 years o...

Mrs. Alioto originally ... for divorce in Februa... year. The couple reu... then separated again la... ber. Alioto, a lawyer ... years ago declared his ... more than $6 million ... week at the first sta... divorce proceedings th... been paying his wife ... a month as "an adv... the split—she will sha... the property."

* * *

A U.S. senator's wi... of her college chums ... proceedings with her ... ed in the Family Galle... journment Thursday ... wasn't for long but ... enough, according ... Hollings, wife of ... Hollings, D-S.C. The ... wooden doors were lo... before the gavel sto... "They had her be... get out of the ... Hollings said. Mrs. H... had to call out for ... night attendants cle... the main chamber, s... the Senate but not ... spend the night ther...

* * *

A $100,000 breach... suit against Judith Ex... ed Friday by a San D... who says he was to h... a book published abou... sonal relationship" wit... John Kennedy. Edw... also named Mrs. Exne... Daniel. Monaghan alle... was to be paid 35 p... money from publicati... rights. He said he lat... 25 per cent after the ... dith literary agency ... took over some dutie... handle and, after ... further cut, was dro... lawyer. Monaghan's ... of the Exners' publi... tract, he said, would ...

* * *

New York State ... leaders began last wee... applications for 66 at-... gate seats for the ... National Convention ... was from 87-year-old ... Farley, the former ... general and national ch... the party who has atte... Democratic convention ... He has predicted that ... ocratic nominee this y... "most likely" be Se... Humphrey of Minneso...

—SAMUEL ...

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